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WORLD NEWS

US warplanes fire missiles in aerial clash with Iraq

US warplanes fired missiles at Iraqi jets in the first air-to-air confrontation between the two countries in six years, as Saddam Hussein, Iraqi president, called on Arabs to overthrow their governments. **Page 14; US strikes, Page 5; Moslems to protest, Page 5**

MEPs back whistle-blower
Antagonism between the European Commission and European Parliament intensified as MEPs expressed anger over the Commission's suspension of a "whistle-blower" who made allegations about fraud and mismanagement in Brussels. **Europe, Page 2**

Target closes late for second day
Target, the European Central Bank's system for clearing high value payments in euros, had to close late again on its second day of operation after problems emerged in the Portuguese payments system. **Europe, Page 2**

Malaysia admits police beat Anwar
The Malaysian government admitted that police had beaten Anwar Ibrahim, the sacked former deputy prime minister, while he was in custody. But they said not all his injuries were caused by the police. **Asia, Page 6**

Further blow for German economy
Confidence in the German economy suffered a further blow as an economic institute revised its growth forecast for 1999 downwards. **Europe, Page 2**

UN may pull out Angola forces
Kofi Annan, the United Nations secretary-general, is expected to recommend an end to failed peacekeeping efforts in Angola. **International, Page 5**

Ministerial system finds favour
Momentum is gathering for Hong Kong to adopt a ministerial-style system, rather than continuing to rely on non-political civil servants as policy makers. **Asia, Page 6**

Americans in Egypt warned
Americans in Egypt were warned that militant groups may be planning attacks on them. **International, Page 5**

Brazilian state halts debt payments
The Brazilian government could face a political battle with several state governors after the state Minas Gerais declared a moratorium on debt repayments to Brasilia. **Americas, Page 4**

Postwar treaty raises doubts
A 1948 treaty between Italy and the Soviet Union has thrown doubt over claims by Assicurazioni Generali, the Italian insurer, that it was never legally liable to compensate heirs of policyholders who perished in the Holocaust. **Europe, Page 2**

Top 10 for former Fugees star
Lauryn Hill, part of the Fugees hip-hop trio, collected 10 Grammy nominations yesterday for her solo debut album, *The Miseducation of Lauryn Hill*. **US and Canada, Page 4**

Nationalists win access to officials
Opposition parties including the Scottish National party are to be allowed to hold confidential meetings with government officials before elections to the Scottish parliament. **UK, Page 8**

BUSINESS NEWS

Vivendi is first to issue convertible bond in euros

Vivendi, the French utility, launched the first convertible bond issue denominated in euros to raise up to €1.7bn. It will be convertible into new or existing shares and is the second biggest from a European issuer behind France Telecom. **European companies, Page 18**

SAP, the German software group that is a bellwether for Europe's technology sector, saw its shares tumble after it said sales problems in Japan caused profits to fall well below company forecasts. **Page 15; Lex, Page 14**

Scandinavian Airlines System, the three-nation Nordic carrier, is planning to seek a multimillion-dollar compensation package from Boeing following late aircraft deliveries by the US aircraft manufacturer. **World trade, Page 7**

Ford Motor, the US carmaker at the centre of speculation about takeovers and alliances, denied reports that it was about to buy BMW and Honda. **Page 15**

Philippine Airlines came under renewed pressure as its big European creditors threatened to pull out of negotiations on the airline's rehabilitation plan unless it resumed paying. **Asia-Pacific companies, Page 17**

Deutsche Bank extended its push into Italy by acquiring a 0.75 per cent stake in UniCredito, Italy's largest bank by market capitalisation and third biggest in terms of assets. **European companies, Page 18**

ING Barings, the investment bank rebuilt under Dutch ownership after the 1995 collapse of London's Bering Brothers, is to decide its future next month amid fears that cuts in its operations may be deeper than previously indicated. **European companies, Page 18**

The Philippine government is to tap the international bond markets for up to $750m later this week in the first sovereign bond offering by a south-east Asian government since the start of the Asian crisis in late 1997. **Page 14**

Kvaerner, the Anglo-Norwegian engineering and construction group, said its non-core asset disposal programme had raised NKr2.2bn ($293m) in the past three months. **European companies, Page 18**

Meyer International, the UK's biggest builders' merchant, has sold its underperforming Dutch businesses for £56m ($94m) to William Pont Holding of the Netherlands. **UK companies, Page 19**

Semiconductor manufacturers, including seven of the top 11, saw worldwide revenues fall by at least 14 per cent as weak memory chip prices and overcapacity hit the industry again last year. **Page 15**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. **Page 20**

Dollar hits 19-month low against Japan's currency

Views of Tokyo's 'Mr Yen' and higher government bond yields depress US unit

By Paul Abrahams in Tokyo and Alan Beattie in London

The US dollar fell sharply to a 19-month low against the yen in Tokyo yesterday after Eisuke Sakakibara, Japan's vice finance minister for international affairs, said the US economy looked "bubble-like", that stock prices would fall and growth would slow.

Mr Sakakibara, known as "Mr Yen" for his ability to move the currency markets, explained in an interview in the Nikkei Keizai newspaper that the value of the two currencies would depend on the economies' relative strengths.

"The US economy has entered a phase of slower growth. Should the Japanese economy pick up from the middle of the year, the basic trend will be toward a stronger yen," he said.

Combined with higher recent Japanese government bond yields, which have become more attractive compared with US Treasuries, the comments helped depress the dollar to Y110.7. It strengthened slightly before closing at Y111.47 in Tokyo.

The spread between the yield on 10-year JGBs and 30-year US Treasuries has narrowed 75 basis points (0.75 of a percentage point) since October to 325 points.

In London, the dollar's performance against the yen relegated the second day of trading in the euro to a sideshow.

Analysts were sceptical about the Japanese government's explanations for the yen's rise and said its strength, far from being welcome, was evidence that the Japanese authorities had backed themselves into a corner.

"The Bank of Japan shows no inclination to buy JGBs," said Cameron Crise, currency strategist at Warburg Dillon Read in London, "so the massive bond issuance to fund the government's fiscal stimulus programme is simply driving up long-term interest rates and causing the repatriation of capital. This is pushing up the yen."

Analysts said that the weakness of the Japanese economy, now further threatened by a strong currency, meant the yen was likely to weaken in the longer term. But given the Bank of Japan's unwillingness to print money, the economy might well have to implode to bring this about, they said.

Ken Landon, currency analyst at Deutsche Bank in Tokyo, said the interview with Mr Sakakibara was significant because it indicated that the official in charge of currency policy was giving a nod to a strengthening of the yen, even from these levels. This was important because, in June 1997, when the yen had reached 110.65, Mr Sakakibara had said he did not want the yen to strengthen any further.

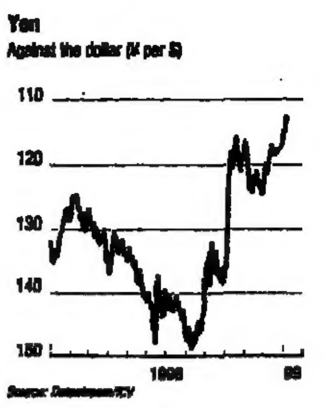
The yen's rise hit exporting companies' stocks and the benchmark Nikkei 225 average closed down 1.3 per cent at 13,232.

Nintendo, the computer games maker, warned it would struggle to make a profit at parent level if the yen remained at its present strength. However, Takashi Imai, head of the Keidanren, Japan's biggest business lobbying organisation, said if the yen remained between Y110 and Y120 against the dollar it would be acceptable.

Mr Sakakibara admitted that if the yen strengthened too much it would harm the Japanese economy. But he warned: "Japan cannot export its way out of the economic slump given the state of Japan-US relations."

Keizo Obuchi, the Japanese prime minister, is expected to raise the issue of exchange rate management of the world's largest currencies during his trip to Europe which starts today. Japanese ministers have recently called for "managed flexibility", setting loose targets to stabilise the currency market.

Obuchi's visit to Europe, Page 2; Consumer row hampers sales, Page 2; Asian downturn hits Australia, Page 4; Bonds, Page 22; Currencies, Page 23



Jordan's King Hussein, leaving the US following cancer therapy, embraces Queen Noor after seeing President Clinton

Vodafone seeks $55bn merger with AirTouch

By William Lewis and Richard Waters in New York and Alan Cane in London

Vodafone, the UK-based international mobile phone operator, is proposing to merge with AirTouch in a deal that values the US-based cellular phone company at about $55bn.

The offer is an attempt to land a knock-out blow against Bell Atlantic, the US regional telecoms operating company, that is preparing a takeover offer for AirTouch worth about $45bn or $74 a share. Bell Atlantic and AirTouch have confirmed they are in talks but have yet to set conditions for a deal.

If Vodafone's pre-emptive strike is successful, it would be one of the 10 biggest deals yet, creating the world's largest mobile phone group with a market capitalisation of about $110bn.

The bid, mainly stock but with a small element of cash, was submitted by Goldman Sachs, Vodafone's financial adviser, over the weekend following the disclosure last week that Bell Atlantic and AirTouch were in negotiations. It was initiated by Chris Gent, Vodafone's managing director, and Julian Horn-Smith who controls Vodafone International. The unsolicited bid is thought to be worth more than $90 a share.

In morning trading on Wall Street yesterday AirTouch's stock price rose $5⅝ to $73¼. Vodafone is proposing to structure the deal as a merger of equals, with a near 50-50 split with AirTouch. However, people close to the situation warned that the terms of the proposed deal could change as negotiations progressed.

Yesterday, following press reports in the US, the UK company issued a statement stating it had made "an approach to AirTouch regarding a possible merger". It added: "There can be no assurance that any agreement can or will be reached."

Although Vodafone gave no further details, investors in the UK company applauded the move, sending its stock price up about 6 per cent.

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Vodafone relishes hunt, Page 16

Clinton trial will begin tomorrow

By Mark Suzman in Washington

President Bill Clinton's impeachment trial over the Monica Lewinsky affair is to start tomorrow, Senate leaders announced yesterday.

Trent Lott, Senate majority leader, said he had made the decision after consultations with Tom Daschle, Senate minority leader, and William Rehnquist, chief justice of the Supreme Court. He gave no details on the timing and format of the proceedings, saying only that they would be "determined by discussions".

Joe Lockhart, the president's press secretary, said the White House hoped for more clarification. "We'd like to know which direction we're going in, but we understand the process," he said.

The move follows growing pressure from Democrats and moderate Republicans to bring the matter to a speedy conclusion. Both sides agree that on current evidence it would be almost impossible to find the two-thirds majority in the Senate required to convict Mr Clinton.

They have been urging Mr Lott to organise a rapid trial that allows for the possibility of alternative punishment, such as censure. In deference to these calls, Mr Lott has been proposing a trial lasting only four days.

Under his plan, the members of the House of Representatives who would serve as Mr Clinton's prosecutors would have a day to make their case, followed by a day of rebuttal from the White House, a third day of questioning by senators and then a vote on whether to go to a full trial. If Mr Clinton were acquitted, the Senate would then discuss possible censure.

However, several conservative Republicans have said they would oppose an accelerated trial. Phil Gramm, an influential senator from Texas, warned the idea was "dead". Mr Lott said he expected to release more details before proceedings began.

The White House would prefer a rapid trial, but Mr Clinton's lawyers are preparing for a drawn-out legal debate. They are planning an aggressive attack on the evidence and arguments amassed by Kenneth Starr, the special prosecutor.

The trial has been triggered by last month's House vote to pass two articles of impeachment alleging Mr Clinton committed perjury and obstructed justice in trying to cover up his affair with Ms Lewinsky.

Congress reconvenes, Page 6

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9,279.01	(+84.74)
NASDAQ Composite	2,235.74	(+27.89)
Europe and Far East		
CAC40	4,200.78	(+63.28)
DAX	5,253.91	(+1.55)
FTSE 100	5,958.2	(+78.8)
FTSE Eurotop 300	1,231.20	(+17.16)
Nikkei	13,232.74	(-183.15)
US Lunchtime RATES		
Federal Funds	4¾%	
3-mth Treas Bills: Yld	4.46%	
Long Bond	100½	
Yield	5.21%	
OTHER RATES		
UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	136.96	(137.284)
SBA Eurolibor	3⅞%	(same)
Germany: 10 yr Bund	107.48	(107.86)
Japan: 10 yr JGB	98.969	(98.526)
NORTH SEA OIL (Argus)		
Brent Dated	$10.36	(10.6)

GOLD		
New York: Comex		
	$287.8	(288.3)
London:		
	$287.05	(286.75)
DOLLAR		
New York: Lunchtime		
£	1.65615	
€	0.8486	
SFr	1.37125	
Y	111.33	
London:		
£	1.6556	(1.6590)
€	0.8488	(0.8475)
SFr	1.3677	(1.3693)
Y	111.61	(112.845)
Tokyo Close	Y 111.05	
EURO (London)		
$	1.1784	(1.1798)
£	0.7117	(0.7109)
Y	131.516	(132.91)
SFr	1.6116	(1.6145)

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Euro-zone target price €2.15. Prices in local currency as shown

Bahrein	Din1.300	Iceland	IKr295	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr18.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.75	Morocco	Dh18.00	Syria	S£90.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr18.00	UAE	Dh13.00

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JAPANESE PM'S EUROPEAN VISIT REGIME BASED ON DOLLAR, EURO AND YEN WOULD 'REDUCE EXCHANGE RISKS'

Obuchi to call for new currency era

By Michiyo Nakamoto in Tokyo

Keizo Obuchi, Japanese prime minister, arrives in *Paris today at the start of a* week-long tour of Europe in which he is expected to call for a new international financial order centred on the dollar, the euro and the yen *and a loose exchange* rate grid for the three key currencies.

"Japan has lived in an economic world centred on the dollar," Mr Obuchi said *yesterday* on the eve of his departure. The launch of the euro would create a second international currency, "but having three key currencies could serve to further reduce exchange rate risks," he said.

His remarks, which came as the yen's sharp rise against the US dollar yesterday triggered alarm in Japan, echo calls made earlier by key government officials for the need to establish a monetary system that would create a more stable currency market.

Last *month*, Kiichi Miyazawa, Japan's finance minister, called for greater currency stability by introducing "managed *flexibility" into the market.*

This could be done by setting loose exchange rate targets for key currencies, he said.

"The birth of the euro will *help promote such talks,"* Mr Miyazawa said.

However, there is resistance to the idea of exchange rate target zones from countries such as the US.

Although government officials would not indicate whether Mr Obuchi planned to make any concrete proposals for such a new monetary order directly to European leaders during his tour of France, Germany and Italy, they confirmed that the international financial system would be an important focus of his discussions with them.

"With the trip coming on the heels of the euro's birth, issues regarding the international financial *system will be the main* topic," Akitaka Saiki, Mr Obuchi's deputy spokesperson said yesterday, according to Reuters.

Since the launch of the euro was likely to herald a new era in which the international financial system was no longer completely dominated by the US dollar, it offered an opportunity to rethink the entire system, Japanese finance officials said.

Together with the euro's launch, strengthening the yen's role as an international currency will also have a stabilising effect on foreign exchange markets, particularly with regard to Asia.

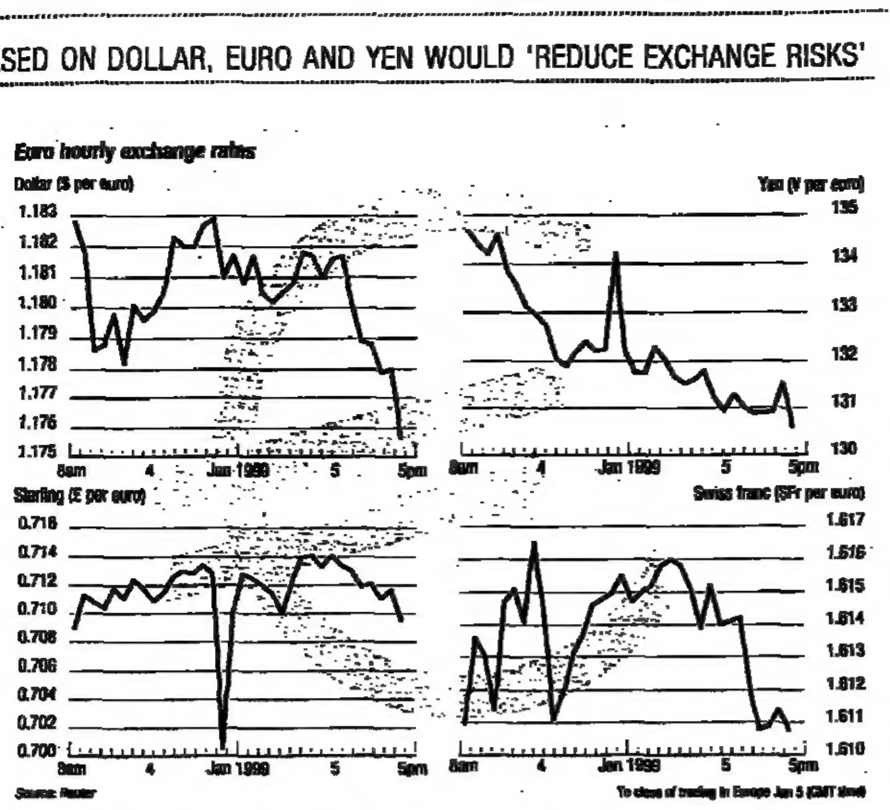
"The yen is used in only 5 per cent of international trade transactions," Mr Obuchi noted.

This compared with 48 per cent for the US dollar and 31 per cent for the 15 EU countries, according to the finance ministry.

Japan needed to promote greater use of the yen to ensure that the euro's launch did not marginalise the yen, Mr Obuchi said.

If Asian countries in particular could be encouraged to hold more yen as a hedge against the US dollar, sharp exchange rate fluctuations such as those that caused the Asian currency crisis might be prevented, Japanese officials said.

"Fundamentally, it would be desirable for the yen exchange rate to remain relatively stable," Mr Obuchi noted.



Source: Reuter

To close of trading in Europe Jan 5 (GMT time)

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HK bank chief argues for Asian monetary union

By Louise Lucas in Hong Kong

The head of Hong Kong's *de facto* central bank yesterday catapulted proposals for Asian monetary union into a formal arena, telling fellow central bankers such a step could increase stability and cut costs throughout the region.

Speaking at a central banking symposium in the Philippines, Joseph Yam, chief executive of the Hong Kong Monetary Authority, said that despite Japan's strong commercial and financial influence the yen had failed to fulfil the role of a major anchor currency in Asia.

Several countries' attempts partially to link their currencies to the US dollar had also proved expensive and disruptive.

"The time may come when we may want to consider the possibility of our own Asian currency – perhaps something along the lines of an Asian Currency Unit – that would form an anchor currency for our region," he said.

Mr Yam floated the notion of an Asian version of the *euro last week, when he said* greater Asian unity in financial markets would make the region less vulnerable to the speculative attacks that hounded Hong Kong and other *economies* in the wake of the Asian financial crisis.

Yesterday, Mr Yam listed further advantages. A unified currency would reflect the region's strong trade linkages (much of this trade is now carried out in US dollars) and also help address problems of intermediating financial resources within Asia.

"At present, Asia's central banks invest massive amounts in foreign securities, particularly US dollar assets, only to see volatile funds flow back to the region from overseas markets.

"By investing reserves directly in Asian financial assets, this type of costly and unstable recycling through developed markets could be reduced." he said.

Mr Yam was careful to add that any such union would *face* many obstacles and a lengthy gestation period. Asia's disparate economies are at much more disparate stages of development than those of Europe, especially since the crisis.

Postwar treaty raises possibility of claims

By Avi Machlis in Jerusalem and John Authers in New York

A 1948 treaty between Italy and the Soviet Union has thrown doubt over claims by Assicurazioni Generali, the *Italian insurer, that it* was never legally liable to compensate heirs of policyholders who perished in the Holocaust.

The news, made known by a member of the Israeli Knesset, is potentially a serious complication to the work of the commission on holocaust-era insurance claims, chaired by Lawrence Eagleburger, *the former US* secretary of state. The commission, expected to meet within the next few weeks, is required to negotiate with insurance companies and the governments of former Communist bloc countries that nationalised insurers' assets after the war.

Generali, which operated throughout eastern Europe before the second world war, has insisted it was never compensated *for assets confiscated* by the communists.

It attempted to settle with lawyers suing it on behalf of Holocaust *victims last* year but US insurance commissioners rejected the $100m it intended to pay, saying that its liabilities to policyholders could reach $1bn. Generali is one of the six insurers that have agreed to be bound by the findings of the Eagleburger commission.

The drive to agree a settlement over insurance policies of Holocaust-era victims follows last year's agreement between Jewish groups and Swiss banks over Holocaust-era assets.

Yesterday, Michael Kleiner, the chairman of the Knesset's subcommittee on insurance, published a post-war treaty under which Italy agreed to pay $100m in reparations to *the Soviet Union.*

According to the accord, part of the reparations were to be paid with Italian assets in Bulgaria, Romania and Hungary. Italy also agreed "to compensate all natural or juridical persons whose property is taken for reparations purposes". Such compensation would extend to companies, possibly those such as Generali, which lost out because the Italian state had used their assets for reparations to the USSR.

Although the treaty does not prove that Generali was compensated, Mr Kleiner said he believed the company "wittingly lied when it repeatedly claimed it received no compensation for its property that was nationalised". Generali had not yet responded to the charges last night.

Mr Kleiner also accused Generali of trying to block publication of a list including more than 300,000 names of pre-war policyholders.

The move, along with the establishment of a $12m *ex gratia* compensation fund, was seen as an attempt by the company to clear its name after Israeli MPs threatened to block Generali's acquisition of Migdal, a leading Israeli insurance group.

EURO CLEARING OPERATION GLITCH IN PORTUGAL CAUSES SLIGHT DELAY

Target system is forced to close late again

By George Graham and Jane Martinson

Target, the European Central Bank's system for clearing high value payments in euros, had to close late again yesterday on its second day of operation after problems emerged in the Portuguese payments system.

Bankers said the 90-minute delay in closing the Target system on Monday night had caused no significant problems, and last night's 60-minute delay was unlikely to create difficulties.

The Target delays are among the few glitches that have emerged in the first days of trading for the euro, although some errors have been reported in foreign exchange settlement and securities custody. Warburg Dillon Read, the investment banking arm of Switzerland's UBS, confirmed that another financial institution had sent it the same payment five times over for a foreign exchange transaction, but the error of more than €600m ($702m) was *sorted out at board level.*

Several custodians had still not reported details of their cash conversions to fund management clients, prompting several fund managers *to worry about the* settlement process for trades that have been carried out in the new currency this week. The earliest settlement time for most securities in the participating countries is Thursday. "We didn't expect these banks to be late so it's a bit worrying. They haven't got much longer to sort their *act out," said one London*-based fund manager.

ECB officials said the Target delays were not caused by problems in the system itself, but some individual banks had encountered difficulties with wrongly routed or mishandled orders.

Target links the high value payment systems of all 15 EU countries, so operations at the centre can be held up by glitches in national systems. In many smaller countries, these have only just converted to *real time operation from the* more traditional method of settling up net balances at the end of the day.

The custody problem seems to have hit the *operations of some European* banks as opposed to the very largest global custodian banks which hold trillions of dollars-worth of securities.

ABN Amro, the Dutch-owned bank, was one to have experienced technical difficulties in reporting the change for the conversion weekend. The bank, which *has custody of about $500bn* in assets, blamed minor technical glitches for failing to send out reports yesterday. It stressed there would be no settlement problem.

● *Germany's Bundesbank* yesterday found itself in an unusual position of telling markets too much after it released a breakdown figure on the first euro refinancing tender results, breaching an ECB regulation, Reuters reports from Frankfurt.

The Bundesbank said that out of €75bn ($87bn) allo*cated to the* euro-zone money market, €45bn was awarded to the German banking sector.

The additional information, welcomed by German *money market* traders, angered other European central bankers, who had earlier agreed not to publish country-specific tender results.

The Bundesbank later admitted its publication was a mistake.

German confidence suffers further blow

By Ralph Atkins in Bonn

Confidence in the German *economy suffered a further* blow yesterday when a leading economic institute revised its growth forecast for 1999 substantially downwards, blaming the deterioration on the international outlook.

The Berlin-based German Institute of Economic Research (DIW) said it expected gross domestic product to grow by just 1.4 per cent this year. Last summer, the institute was forecasting a growth rate of 2 per cent.

Its forecast is likely to receive particular attention in Bonn because Heiner Flassbeck, state secretary in the finance ministry and close adviser to Oskar Lafontaine, finance minister, worked previously as DIW's chief economist. Urging a break from a purely supply-side response, the DIW *called for monetary, fiscal* and wage policies to be "clearly orientated" towards economic expansion in an attempt to compensate for a substantial weakening in exports. It urged the European Central Bank to cut interest rates further to build investor confidence.

The DIW report follows worries expressed earlier this week by Mr Flassbeck about business confidence. A slowdown in growth across Europe could lead to unemployment rising and "a bitter setback for European economic policy," he said.

The DIW forecast that German exports of goods and services would fall by 1.1 per cent this year. Germany would be hit by economic weaknesses across the European Union, particularly in the UK, as well as a less favourable climate in the US.

It expected no dramatic improvement in unemployment, with the average jobless total remaining above 4m, although private consumption would increase by 2.2 per cent.

● A new document published by the Italian Treasury says Italy's gross domestic product growth in 1998 may have been just 1.5 per cent, and suggests for the first time that its official estimate of 2.5 per cent growth this year "may need to be decreased." James Blitz writes from Rome.

The document warns that Italy's budget deficit-to-GDP ratio in 2001 could be 1.86 per cent rather than the current target of 1.0 per cent if economic growth were to meet a worst-case scenario.

EURO LABELLING CONSUMERS OUTSIDE SINGLE CURRENCY COULD BE BIGGEST LOSERS

Dangers lie in dual pricing

By Emma Tucker in Brussels

One of the loudest sales pitches used by politicians to promote the euro has been *the squeeze it will put* on prices. By making price tags directly comparable from one EU country to another, goes the patter, discrepancies will gradually be whittled down as roving bargain hunters shop around for the best buys.

The promised price implosion will only be triggered when shops start to price their goods in euros as well as in national currencies, a move barely yet in evidence. Even in Brussels, the self-styled capital of Europe, tags are still firmly denominated in Belgian francs.

But under an agreement drawn up by the European Commission and signed by leading retail and consumer organisations, shops will gradually introduce dual tags this year as a first step towards price transparency. Come 2002, when the first euro notes and coins start to circulate, the idea is that consumers will be well versed in the new currency.

But the agreement is voluntary and as a survey carried out by Test Achats, the Belgian consumer association, reveals the marked differences in the prices of goods between EU countries could tempt shops to be selective in double pricing.

And what incentive would a French electronics retailer have to stick a euro price on headphones when they cost 40 per cent less in next-door Germany?

"There is a danger that retailers will use dual prices for bargains and not for expensive items," says Jim Murray director of Beuc, the European consumers organisation. Henrik Kröner, secretary-general of Eurocommerce, the European *retailers'* and *wholesalers'* organisation, says these fears are exaggerated.

"The need to price goods in euros cannot be avoided," he says. "Sooner or later shops are going to have to do so, and competition is going to drive that forward."

Consumers in countries outside the single currency are likely to be the biggest losers. Since Britain is the EU's most expensive country, according to the survey, British retailers will have an incentive to leave euro prices off labels for as long as they can.

Comparative price index of consumer goods

	CDs		Toys		Clothes		Watches		Video tapes	
	Low	High	Low	High	Low	High	Low	High	Low	High
Austria	119	126	127	130	-	-	125	126	139	149
Belgium	111	122	115	132	113	†119	130	130	105	122
France	119	141	121	145	108	112	134	†141	-	-
Germany	105	105	112	118	110	113	118	120	106	118
Italy	121	128	117	147	-	-	*100	110	117	139
Luxembourg	121	121	120	120	117	117	124	124	*100	100
Netherlands	117	128	125	129	107	113	124	125	153	†168
Portugal	105	120	103	129	103	104	116	128	110	120
Spain	*100	118	*100	115	*100	108	110	117	137	140
UK	150	†168	135	†173	-	-	135	135	-	-

Source: Beuc

* Lowest price=100 † Highest price

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FINANCIAL SERVICES CROSS-BORDER BUSINESS COMPLICATED BY RIGHTS DISPUTE

Consumer row hampers sales

Inside the market

By Christopher Brown-Humes

The launch of the euro should have set the seal on a single European market for financial services.

The trouble is that things have not gone quite to plan.

Although a new economic bloc covering the 11 countries adopting the new currency has come into existence, efforts to promote cross-border sales of financial *products such as* mortgages, life assurance and pensions have been complicated by a fight over consumer rights which extends into the European Commission itself.

At issue is how to offer European consumers a full choice of financial services while protecting them from mis-selling and fraud. In roughly opposing corners are the Commission's single market directorate and the Commission directorate responsible for consumer protection.

When acknowledging that "cross-border sales of traditional financial products to individual consumers *remain the exception" to the* single market, the Commission emphasises the problems posed by insufficient tax harmonisation and lack of transparency.

Other factors include protectionism and consumer caution, which is understandable given that financial products are generally more complicated than *goods such as cars or* washing machines.

But the central conflict is whether financial services companies should be bound by just the rules of their home country or, instead, by those of each of the countries in which they sell their services. The first system is cheaper and simpler for companies and so should help promote a single market. The second would help protect the consumer, but at the cost of greater regulation. At present, every country has its own different regulatory system.

Diane Iannucci, a financial services specialist with Shandwick, a public affairs *group, in Brussels, says:* "The single market directorate wants to help suppliers sell services abroad. But the consumer affairs directorate is worried that consumers *may be sold services from* countries where they don't know the rules."

The choice between systems is particularly important since different *regulations, tax and legal* systems still prevail across the EU.

Consumers in one country can have very different expectations from those in another. For example, somebody taking out a mortgage in France would expect to be able to redeem it quite easily but in Germany current rules make early redemption much harder.

"We strongly condemn the notion that you just apply country of origin rules right across the board. The situation is more complicated than that," says Jim Murray, head of Beuc, the European consumers' organisation.

The debate is becoming *more urgent because of the* increasing use of the phone and internet for the selling of financial products.

While the single market directorate believes provi*sions nominally carried out* for the overall benefit of consumers have been taken too far in some instances – and have been used to protect national markets from com*petition – it has so far* proved reluctant to take legal action against offenders.

However, there may be greater progress towards discarding regulations for wholesale customers. For sophisticated purchasers at least, a single market, guided by the principle of *caveat emptor*, or buyer beware, is a more immediate prospect.

MEPs give backing to whistle-blower

By Neil Buckley in Brussels

The trench warfare between the European Commission and European Parliament intensified yesterday as *MEPs expressed anger over* the Commission's suspension of a "whistle-blower" who made allegations about fraud and mismanagement in Brussels.

News of the suspension came as the European Union's Brussels-based executive prepared to face a censure motion next week in the parliament – the EU's *only directly elected* institution.

The censure – which follows months of criticism of shortcomings in EU programmes – would, if carried, force all 20 commissioners who head the executive to resign.

Several parliamentary groups believe it would be a mistake to use this "nuclear weapon", parliament's only official sanction against the Commission. The largest group, the Socialists, is preparing to back the executive.

But there was growing pressure yesterday, particularly among the European *Liberal Democrats*, parliament's fourth largest group, and German MEPs, for an alternative motion calling on two commissioners, France's Edith Cresson and Spain's Manuel Marin, to stand down.

Programmes for which the two commissioners are ultimately responsible have come in for particular criticism. Mrs Cresson, former French prime minister and now education commissioner, and Mr Marin, a Commission vice-president, have vigorously rejected allegations.

Next week's censure motion was triggered by a surprisingly large vote by parliament last month *against signing off the EU's* 1996 budget.

The mood was inflamed by a dossier entitled "How the Commission deals with internal irregularities and cases of fraud" sent to parliamentary leaders a week earlier by Paul van Buitenen – a Commission internal auditor who has now been suspended on half pay.

The Commission said it had launched disciplinary procedures against Mr van Buitenen – whom it refers to only as "Mr X" – because he broke staff rules by releasing confidential documents.

Mr van Buitenen's suspension provoked a backlash yesterday, with Green MEPs demanding a full explanation and pledging to set up a "solidarity group in the fight against fraud". British Conservatives *said it was wrong* to make a scapegoat of an official "doing his public duty".

The Commission insisted there was nothing new in Mr van Buitenen's dossier, and the cases he mentioned were already under investigation.

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NEWS DIGEST

ECONOMIC EFFORTS GAIN SUCCESS

Belgian budget deficit and debt hit lows

Belgium's budget deficit hit a record low of 1.3 per cent of gross domestic product last year, compared with an original target of 1.7 per cent, while its debt reduction efforts also surpassed expectations.

The debt fell from 121.9 per cent of GDP in 1997 – just over twice the Maastricht convergence target of 60 per cent – to 116.5 per cent in 1998, beating the target of 118 per cent. The projected figure for the end of 1999 has been revised down from 115 to 113.8 per cent – representing a significant fall since the 135.1 per cent reached in 1993.

This year's budget deficit is again projected at 1.3 per cent – staying below the previous record of 1.4 per cent in 1966. The figures represent a success for Jean-Luc Dehaene, prime minister, who came to power in 1991 committed to leading Belgium into the single currency, despite years of double-digit budget deficits in the 1980s. **Neil Buckley, Brussels**

EUROPEAN COMMISSION PRESIDENCY

D'Alema backs Prodi bid

Massimo D'Alema, Italy's prime minister, yesterday backed the candidacy of his predecessor, Romano Prodi, as the next president of the European Commission. "I have no doubt that Prodi's candidacy would be both strong and convincing and could perfectly represent a solution towards which other [European Union] heads of government could converge but it has yet to be put forward," Mr D'Alema said on *RAI* state radio.

In an interview broadcast earlier this week, Mr Prodi acknowledged he would find the job of replacing Jacques Santer, Commission president, a challenge. Mr Santer is due to step down early next year.

"It's a dream for a strong supporter of Europe such as me. But there are 15 [EU] countries, many political parties, different interests. . ," he said, citing enlargement, institutional reform, a common foreign and security policy and proportional voting as the main goals of any successor. **Reuters, Rome**

EUROPEAN CENTRAL BANK

Publication of minutes mooted

Ernst Welteke, a senior member of the Bundesbank's central council, has said the European Central Bank could reconsider its decision not to publish minutes of its bi-weekly council meetings if there are too many leaks to the media.

Mr Welteke, tipped as a possible successor to Hans Tietmeyer as president of the Bundesbank, said he was personally sceptical about the publication of the minutes, but said a situation could arise in which publication would become inevitable.

In an article in Frankfurter Rundschau, to be published today Mr Welteke wrote: "I remember several occasions when I would have wished that the minutes of the central bank council meetings had been published because of misleading media accounts or simply because it would have been good for the honour of the central bank council." **Wolfgang Münchau, Frankfurt**

CYPRUS GOVERNMENT

New ministers appointed

Glafkos Clerides, president of Cyprus, yesterday appointed a supreme court judge as defence minister, indicating that military issues would in future be kept out of local politics as far as possible.

The new minister, Yannakis Chrysostomis, 62, takes over from Yannakis Omirou, a vice-president of the Socialist party, Edek. Edek voted to pull out of the government at the weekend in protest at Mr Clerides' decision to cancel deployment of S-300 anti-aircraft missiles that Cyprus had ordered from Russia.

Mr Clerides also appointed Ouranios Ioannides, 55, as the new education minister, to replace another Edek appointee, Lycourgos Kappas, who also resigned.

Mr Ioannides is a vice-president of the ruling, rightwing Democratic Rally party founded by Mr Clerides 22 years ago. This indicates that Mr Clerides has given up, for the time being, his declared aim of forming a broadly based coalition or government of national unity.
Andreas Hadjipapas, Nicosia

KOSOVO CONFLICT

Ethnic Albanians killed

Two ethnic Albanians were reported killed as international monitors headed to inspect an alleged mass grave in Kosovo. Meanwhile, rebels launched their own radio station and news agency.

The Kosovo Information Centre, which is close to the separatist Kosovo Albanian leadership, said two ethnic Albanians who worked at a petrol station in Vitina, some 40km south-east of Pristina, the provincial capital, were gunned down late on Monday.

The centre said the perpetrators and the motive of the killing were unknown. Bodies of more than a dozen ethnic Albanians and Serbs have recently been found in Kosovo in what appears to be a series of gangland-style killings.

The latest shootings came as a team from the Organisation for Security and Co-operation in Europe headed for Urosevac in southern Kosovo to inspect ethnic Albanian rebel claims that 11 women and children were buried in a mass grave there after Serb troops killed them during an offensive against Kosovo separatists last year.
AP, Pristina

TURKISH POLITICS

Army urges unity

Turkey's army yesterday urged secularist politicians to put aside factional quarrels and unite against the twin threats of Islamist and Kurdish activism.

The secularist generals have increasingly intervened in politics since they spearheaded the downfall of an Islamist-led government in 1997. Civilian power has weakened further in the past month with the collapse of a secularist government, which squabbling party bosses have failed to replace.

"The country needs domestic stability more than ever," the Anatolian news agency quoted General Atilla Ates, land forces commander, as saying. "Everyone should put the country's interests first in such a critical period. No opinion or consideration should be more important than the national interest."

Yalim Erez, prime minister-designate, vowed not to abandon his faltering bid to form Turkey's sixth government since 1995. "I am not considering giving back the mandate," he said.

Mr Erez's search for partners in a proposed, broad-based coalition ran into trouble on Monday when Tansu Çiller, a conservative former prime minister, voiced support for an alternative bid to form a minority government under another leader. **Reuters, Ankara**

Greek distaste for investment bank advice delays sell-offs

Athens still hopes to complete fast-track privatisation programme and meet euro criteria by the end of the year, writes **Kerin Hope**

Mention investment bankers to a Greek official and he shifts uneasily in his seat. Greece's fast-track privatisation programme, launched in a drive to become the 12th member of the European single currency, is plagued by delay caused by the government's reluctance to seek investment bank advice.

A dozen public sector enterprises, including banks, utilities and transport companies, are due to be sold under a structural reform plan agreed with the European Commission, the European Union's executive, last spring.

But the timetable has slipped following the collapse of tenders for majority stakes in Ionian Bank, a leading commercial bank, and Hellenic Duty-Free Stores, a profitable duty-free chain covering sales to cruise ships and airport stores. The government's only success to date has been the sale of four small banks to local competitors.

Analysts say the government's initial reluctance to hire international investment banks as advisers for fast-track privatisations have made it hard to pull off a deal.

"If you want serious offers, you have to use international advisers," said a western banker. "The disposal process may take longer but there's no alternative."

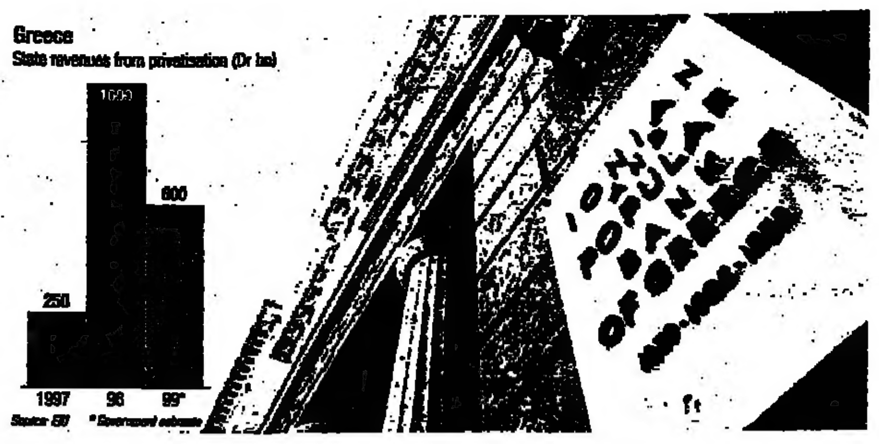
When a tender process for the sale of 51 per cent of Ionian Bank through the Athens stock exchange fell through last summer, the government abruptly reversed its policy and appointed J.P. Morgan as adviser. But the sale has been delayed by over six months.

More than any other planned privatisation, the sale of Ionian, which has a market share of about 7 per cent, is seen as a benchmark of the ruling Socialists' commitment to structural reform. Heavily overstaffed and only marginally profitable, Ionian is typical of Greece's public sector. Its union has managed to resist reform because the leaders wield influence in the Socialist party.

Olympic Airways, the troubled state carrier that was restructured last April amid strong union opposition, is another high profile candidate for disposal. The government has called in Salomon Smith Barney to find a European airline willing to buy a 20 per cent strategic stake and take over management.

But preparations to sell a strategic stake in the Athens water company are being handled by ETEVA, the investment banking arm of the state-controlled National Bank of Greece, which has no previous experience of selling a utility. Advisers have not yet been appointed on the privatisation of Greece's two biggest ports in Piraeus and Thessaloniki.

An economy ministry official said: "Our experience with international advisers isn't encouraging. They charge big fees and send us people who aren't up to the job."


Greece
State revenues from privatisation (Dr bn)

The fast-track privatisations are due to be completed by the end of 1999, the deadline set by the government for hitting all the convergence requirements for membership of the single currency, the euro. That would open the way for Greece to join the euro-zone, currently consisting of 11 qualifiers, in January 2001.

Greece has made rapid strides this year on reducing inflation and the budget deficit and trimming the public debt. A strong fiscal performance has diverted attention from the slow pace of structural reform.

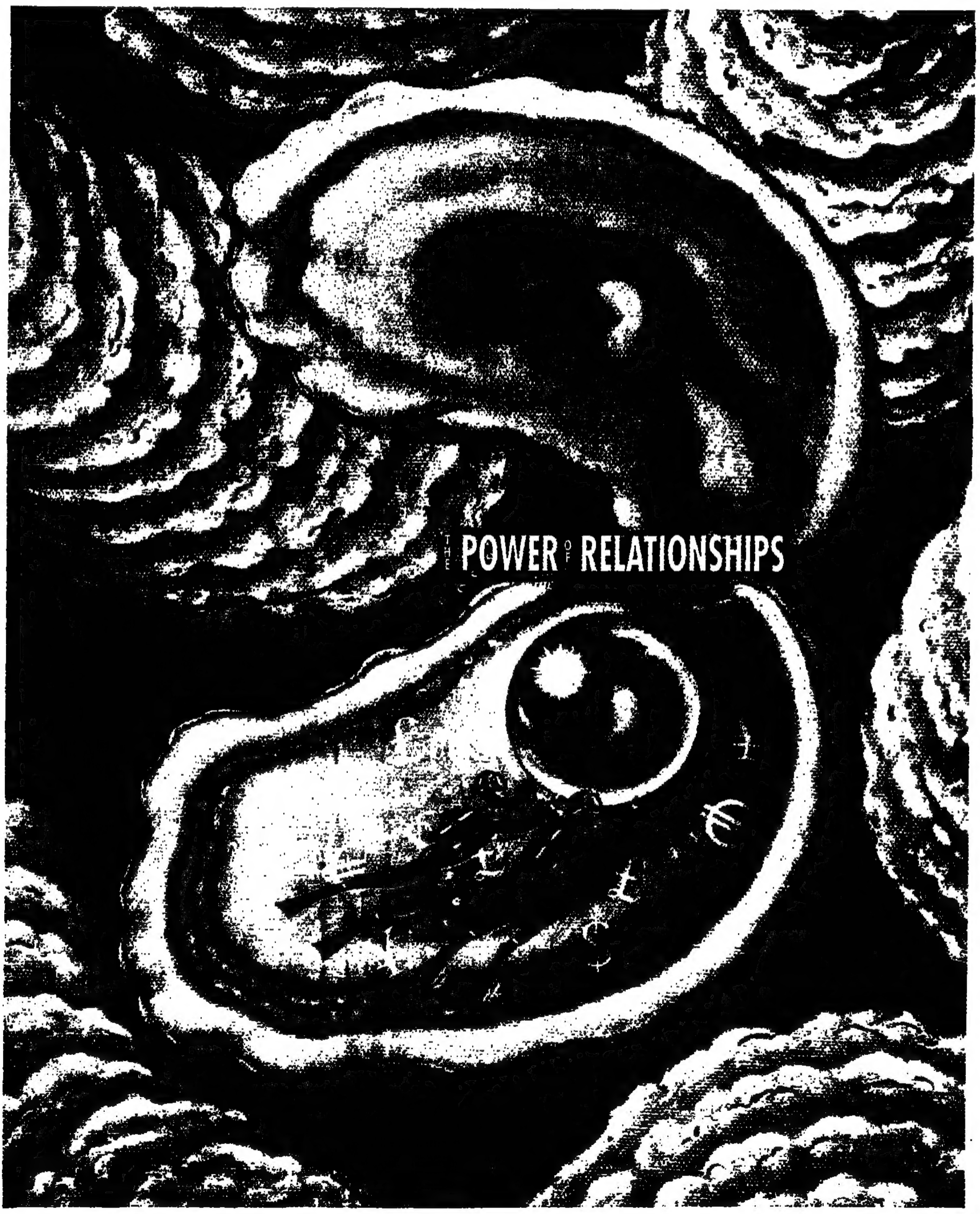
"The process of achieving the convergence targets isn't necessarily a catalyst for structural reform," said Ilaria Fornari, economist at J. P. Morgan in Milan. "Greece's state sector is still too large." Privatisation income in 1998 reached a record Dr1,100bn ($3.9bn), mainly as a result of sales of equity in OTE, the public telecoms company, and in National Bank of Greece. The telecoms operator is 35 per cent privatised and another equity tranche is due for sale in 1999.

The government has lifted the ceiling on equity disposals of public sector companies from 25 per cent to 49 per cent, and is willing to sell controlling stakes in some companies. Flotations are planned for several companies included in the fast-track privatisation programmes.

Hellenic Petroleum, the state oil refining group, this year became the fourth public sector enterprise to be listed on the Athens stock exchange through the sale of a 23 per cent equity stake. But DEH, the electricity utility, is not expected to come to market.

Because of pressure from labour unions, the Socialists have postponed the full privatisation of big state enterprises until after Greece has secured a place in the euro-zone. The government will also continue to appoint chief executives at partially privatised companies, according to economy ministry officials.

"We're likely to join the single currency with about half the economy still in state hands," said Jason Stratos, head of the Greek Industrialists' Federation. "That will be a big obstacle to improving competitiveness."



CONGRESS RECONVENES PRESSURE GROWS FOR QUICK TRIAL

All eyes focused on Clinton trial

By Mark Suzman in Washington

As the US Congress formally *reconvenes today its first* and most important business will *for once not* be *legislative* but judicial: resolving the Monica Lewinsky impeachment saga that dominated political debate in 1998.

There is a full agenda of pending legislation that both parties still hope to push through, ranging from social security reform to increased defence spending. But both the White House and congressional leaders admit that until the trial is completed, there is little hope of getting either the Senate or the House of Representatives to focus on other issues.

Although there is an emerging bipartisan consensus that the matter needs to be resolved as quickly as possible, there is still no agreement over how that might be achieved.

Trent Lott, the Republican Senate *majority* leader, announced yesterday that the impeachment trial proceedings would start tomorrow. He provided no other details but has for some time been floating a plan that would allow for a very rapid trial – starting as early as next Monday and lasting *only a few days – followed* by a vote.

With both sides in agreement that the Senate would *not muster the two-thirds* majority required to convict *Mr Clinton, that* would probably set the stage for an *alternative resolution* such as censure.

Although *such a proposal* has the support of most Democrats and some Republicans, it has been meeting strong resistance from a hard core of conservative Republicans who believe the Senate is constitutionally obliged to hold a full trial, with witnesses.

In addition, given Mr Clinton's resolute refusal to admit he lied under oath – a central demand of Republicans – it remains unclear what the wording of any censure resolution might be, providing *further* pressure for the trial to run its course.

Tom Daschle, Senate Dem*ocratic leader and a sup*porter of Mr Lott's proposal, insisted an "*expedited*" *pro*ceeding was required for the good of the country. "We believe the longer this drags out, the more acrimonious, the more *political* and the less helpful it'll be," he said. "We've got to take care of *the impeachment matter* first."

A *drawn-out trial* would also potentially damage *prospects for pursuing other* legislation. Because 1999 is a *non-election year, it is* regarded as the last opportunity *for* Congress to reach agreement with Mr Clinton *on thorny policy issues* before the political process gets bogged down in the 2000 presidential elections.

Both the White House and the Republican leadership have indicated their top priority is reforming the social security pension system to ensure its future solvency next century. However there is no accord on what course to take and reform is a complex and controversial process opposed by powerful Democratic lobby groups such as labour unions.

There is also some prospect of pushing through laws that *narrowly failed in the* last Congress such as health *care reforms.*

But following Mr Clinton's *weekend announcement that* he plans a strong boost in defence spending – something long sought by Republicans – there will almost certainly be less money available for other potential programmes from child care to education spending.

Further complicating matters are continued ideological divisions among Republicans.

With only a tiny majority in the *House* and led by Dennis Hastert, the inexperienced *speaker-designate*, there is a strong chance the *party will follow last year's* pattern of opening a damaging internal debate over tax cuts that distracts it from other issues

Nevertheless, some analysts predict that the impeachment trial could paradoxically make it more likely that the two parties will reach agreement on other issues.

*Having weathered the par*tisan storm over impeachment, *the argument goes*, both sides will be more willing *to seek bipartisan compromises* in other areas.

And in spite of all the pressures, many lawmakers remain confident that Congress will be able to handle both its judicial and legislative requirements successfully.

"There is a lot of public pressure right now to conclude [the trial] in a big hurry," Arlen Specter, *a* moderate Republican senator from *Pennsylvania*, acknowledged in a television interview *yesterday.*

"I think we can serve the *national interest* by *getting* it done within a relatively short period of time to get on with social security and health care and education, but still fulfil the constitutional requirement."

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Dennis Hastert, Republican House speaker-designate: wanted to be 'hospitable' to the president Reuters

FINANCES OF BRAZIL'S STATES SOME GOVERNORS WANT A RENEGOTIATION OF INTEREST PAYMENTS TO THE FEDERAL GOVERNMENT

Halt called on debt repayments to Brasília

By Geoff Dyer in São Paulo

The Brazilian government could face a damaging political battle with several state governors after Minas Gerais, one of the largest states, declared a moratorium on debt repayments to Brasília.

Itamar Franco, the former president who was sworn in on Friday as governor of Minas Gerais, said he would suspend interest payments to the federal government until the terms of the debt had been renegotiated.

Anthony Gartoinho, the new governor of Rio de Janeiro, the second most important state in economic terms, said he would also consider a moratorium if the state's debt payments were not revised.

Although the federal government has insisted it will not reopen negotiations with state governments over debt repayments, some ministers are anxious to avoid an open fight with governors from large states which could create problems in Congress for the approval of its R$28bn (US$23bn) fiscal austerity plan.

"This dispute could potentially have serious repercussions in Congress for the government," said Walder de Goes, a political analyst in Brasília.

In the last 18 months, 24 of the 27 states have signed refinancing accords with the government after the rapid fall in inflation exposed the fragility of their finances and left many close to bankruptcy. Minas refinanced R$18.5bn of debts in a deal approved by the state legislature and the federal senate.

However, Mr Franco said his state's finances were in "chaos" and it could not meet the R$80m monthly interest bill without stopping salary payments. "Without renegotiation, there will be a problem of civil order," he said.

Although Mr Franco is a member of a party in the government coalition, he has been a strong critic of its economic policy. Political analysts said Mr Franco, who perhaps has an eye on a 2002 presidential bid, could use the issue to launch himself as leader of a centre-left opposition.

Analysts said a conflict with governors, who can influence the congressional delegations from their states, could complicate the passage of the government's emergency budget cuts. The government also needs co-operation from the governors to pass its longer-term fiscal measures, including a reform of the tax system.

The government has so far refused any concessions to Minas, for fear other states would demand the same treatment.

"There is a contract and that contract must be honoured," said Pedro Malan, finance minister.

NEWS DIGEST

RESIDENTIAL HOMES LEAD SECTOR

US construction spending rises for sixth month

Construction spending *rose* in November for the sixth consecutive *month, led by gains* in single-family home building and a jump in spending on public works projects, the Commerce *Department said yesterday*.

November construction spending rose 0.9 per cent to a seasonally adjusted annual *rate of* $677.8bn after *a gain of* 0.3 per cent in October. The increase exceeded the 0.5 per cent rise expected by *US economists surveyed* by Reuters and marked the first time since the spring and summer of 1993 that construction spending *rose* six months in a row. The gain was led by the residential housing market, where *spending on single-family* homes rose 1.8 per cent.

Spending on most private non-residential construction projects, such as factories and hospitals, declined in November, but spending on *offices* rose 1.7 per cent to a $41.5bn annual rate, the highest level since March 1989. Government spending on public works projects *rose* 2.1 per cent in November to a $148.1bn annual rate after falling 2.7 per cent in October. **Reuters, Washington**

GRAMMY AWARDS

Top ten for former Fugees star

Lauryn Hill, who made her name as part of the Fugees hip-hop trio, collected 10 Grammy nominations yesterday *for her solo* debut album, *The Miseducation of Lauryn Hill.*

Ms Hill, one of the hottest favourites to win several categories in this year's premier music awards, to be presented next month, will compete against Sheryl Crow, Shania Twain, Madonna and Garbage for the grand prize of album of the year. Female performers showed up strongly in all departments, with Andrea Bocelli, an opera singer, named for the best newcomer award alongside teen favourites The Backstreet Boys, Natalie Imbruglia and Dixie Chicks, the country and western group.

My Heart Will Go On, the hit song from the film *Titanic*, won single and song of the year nominations for Celine Dion and writers James Horner and Will Jennings. Ms Dion's album, *Let's Talk about Love*, was also nominated as pop album of the year, *competing* against Madonna's *Ray of Light*, Ms Imbruglia's *Left of the Middle*, with Eric Clapton and the Brian Setzer Orchestra also in contention. **Christopher Parkes, Los Angeles**

US PRESIDENCY

Ashcroft spurns race

Senator John Ashcroft, *the Missouri Republican and a* favourite of Christian conservatives who spent 1998 preparing a White House bid, said *yesterday he would not run* for the presidency in 2000 after all. In a speech in his home town of Springfield, Missouri, Mr Ashcroft said he would instead seek re-election to the Senate in 2000.

Mr Ashcroft was the third Republican *to make his presidential* intentions clear in the past week. Senator John McCain *of Arizona* and Senator Bob Smith of New Hampshire both established campaign committees while former cabinet secretary Elizabeth Dole *left her post as head of* the American Red Cross, clearing the way for a presidential run. **Reuters, Washington**

US strikes 'aimed at uprising in south Iraq'

By Roula Khalaf in Baghdad

Tariq Aziz, Iraq's deputy prime minister, said yesterday that last month's US and British air strikes had aimed to isolate the south of the country and use it as a base to topple the regime in Baghdad. But he insisted US designs had failed dismally.

"The US air strikes were indeed targeting the pillars of the Iraqi regime and focused in particular on institutions and bases with a link to national security (Republican guards, special guards, special security, intelligence and communications centres)," he wrote in Al-Jumhuriya, a government newspaper.

"And from the first day, the aggressors bet on a strategy to isolate the south from the centre so it could be a stage for future events designed to change the regime in Baghdad."

Mr Aziz said leading Arab governments had acquiesced in the US aggression in December because they believed the US was working to bring about a change in the regime. But Arab leaders were caught off guard by the failure of the US to destabilise the regime, he added, and were now scrambling to find a new strategy to deal with Baghdad. He predicted this strategy might well include support for another round of US air strikes.

Mr Aziz, however, said that Iraq had been aware of the US plans and had taken all the necessary precautions to ensure their failure. The Iraqi leadership in the past two weeks has been evaluating the damage of the air strikes. Iraqi President Saddam Hussein was briefed on Monday by top aides on the state of military readiness in the continuing showdown with the US.

The US claimed yesterday – based on Iraqi opposition sources – that Iraq had carried out hundreds of summary executions of dissidents in the south in the past six weeks.

James Rubin, state department spokesman, also said there were reports of mass arrests throughout the southern no-fly zone.

An Iraqi government spokesman said yesterday these claims were "silly and cheap lies that exist only in the imagination of James Rubin".

The US statement appeared aimed at explaining continued need to patrol the no-fly zones, which have been the source of crisis with Baghdad in the past week. Soon after the end of the US and British air strikes, Iraq said it considered the zones – set up after the 1990-1991 Gulf war to protect the Kurds in the north and the Shias in the south – illegal.

Iraqi air defences have been firing at US and British warplanes patrolling the regions. Iraq and the US yesterday clashed again in the southern no-fly zone, after Iraqi aircraft were detected penetrating the area.

Being able to patrol the zones and keep Iraqi troops and aircraft out of the south would be an essential element in any US strategy aimed at breaking the south away from Baghdad. Iraqi concerns about such US designs, however, only bolster Baghdad's resolve to defy the no-fly zones.

NEWS DIGEST

BLAIR VISIT TO SOUTH AFRICA

Moslems to protest over British attack on Iraq

Moslem activists in South Africa said yesterday they would stage street protests against Tony Blair, the British prime minister who begins a four-day visit today, because of Britain's participation in the recent bombing of Iraq.

"Tony Blair's got direct blood on his hands – he and his government," said Moain Achmad of the Cape Town-based group, Moslems Against Global Oppression (Mago).

Mr Blair will meet South African leaders, including Thabo Mbeki, deputy president, to discuss trade, investment and international affairs. Essop Pahad, a senior adviser to Mr Mbeki, said yesterday that Mr Blair's security was being looked after and that protesters had a democratic right to demonstrate. **Victor Mallet, Pretoria**

EGYPT TERROR WARNING

Attack on Americans feared

Americans in Egypt were warned yesterday that militant groups may be planning attacks on them. The US embassy in Cairo said it had received "reliable information that extremist elements may be planning imminent unspecified attacks against US interests in Egypt".

Concern over the safety of US citizens in the Middle East has risen since US and UK air strikes against Iraq last month. **Mark Huband, Cairo**

NIGERIA POLITICS

Parties forge electoral pact

Two of the three Nigerian political parties that qualified to take part in this year's multi-party elections have signed an electoral pact and will present a common presidential candidate in February. The parties, the All People's party and the Alliance for Democracy, were distant runners-up in last month's local government elections, the first step in plans to restore civilian rule by May.

The Alliance advocates radical devolution and change, and draws its support from the Yoruba ethnic group in the restive south-west. The All People's party is a broad coalition. Its image has suffered from criticism of the prominent membership of politicians who backed attempts by Sani Abacha, the late military dictator, to remain in power.

The most successful party so far has been the People's Democratic party (PDP), another broad coalition which won control of about 60 per cent of local councils in elections last month. Its victory prompted speculation that subsequent elections would be a one horse race. Opponents claim the PDP is backed by powerful sections of the military and have accused it of buying up voters. **William Wallis, Lagos**

ANGOLA PEACEKEEPERS

UN may pull out forces

Kofi Annan, the United Nations secretary-general, is expected to recommend an end to failed peacekeeping efforts in Angola, where two of its aircraft have been shot down by Unita rebels. The civil war has sharply escalated, Jonas Savimbi, the Unita leader, has spurned UN appeals for access to both crash areas,

and the government now opposes UN peacekeeping. The question the secretary general would have to address in his report next week to the Security Council was "whether there is any peace left to keep," his spokesman said. **Michael Littlejohns, New York**

BUDGET IMPACT GOVERNMENT TO CUT FUNDING FOR JOINT VENTURES ☐ NO INCREASE IN PRODUCTION EXPECTED

Nigerian oil industry faces tough year

By William Wallis in Lagos

Oil company executives yesterday forecast "an extremely difficult year" for Nigeria's oil industry after the military government announced it could allocate only $2bn toward joint-venture projects.

Ron Van den Berg, managing director of Shell's Nigeria operations, said: "I was certainly hoping for $2.8bn. With that we could have scraped by. But if the government has to budget on the basis of $9 a barrel, it obviously severely limits its ability to stand by its cash calls."

While there would be no short-term impact on Nigeria's ability to defend its Opec quota of just under 2m barrels per day, the shortfall did not leave room for growth in production, he said.

In a breakdown of the 1999 budget, Ismaila Usman, the finance minister, offered tax credits and investment incentives specific to the oil and gas sectors and promised to diversify the industry's source of funding.

Alternative funding arrangements for some projects whereby capital and operating costs paid by the companies are recovered through production, would not, however, bridge the gap, analysts said.

Under existing joint-venture projects, the state-owned Nigerian National Petroleum Corporation (NNPC) is supposed to share costs with its foreign partners. Its ability to fund its share, however, has long been tested. The build-up of arrears over the years has limited exploration, maintenance of infrastructure and Nigeria's ability to meet growth targets.

While the government has promised a review of joint-venture arrangements in 1999, there has been no specific mention of privatising its share of projects, a measure considered by most oil companies as the only long-term solution to funding problems.

A blueprint for the economic recovery of Africa's leading oil producer includes plans to bring production up to 4m b/d by 2010.

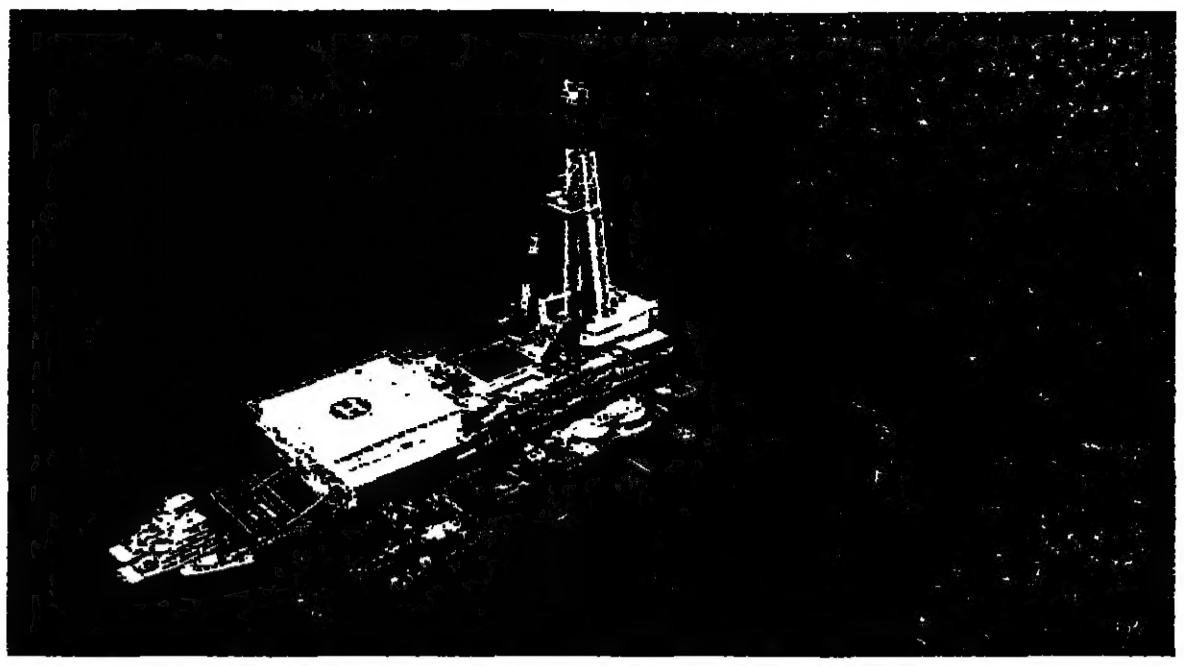
As well as the perennial cash flow crisis, this target is being hampered by growing social tensions in the oil producing south. Militant local people have taken over rigs and sabotaged installations in a campaign for a fairer share of revenues for oil-producing areas. At the height of the unrest last year about a third of production was closed.

Abdulsalami Abubakar, Nigeria's new military ruler, won support from the oil companies when he paid off 1998 joint-venture arrears shortly after assuming office last June following the unexpected death of his predecessor, General Sani Abacha.

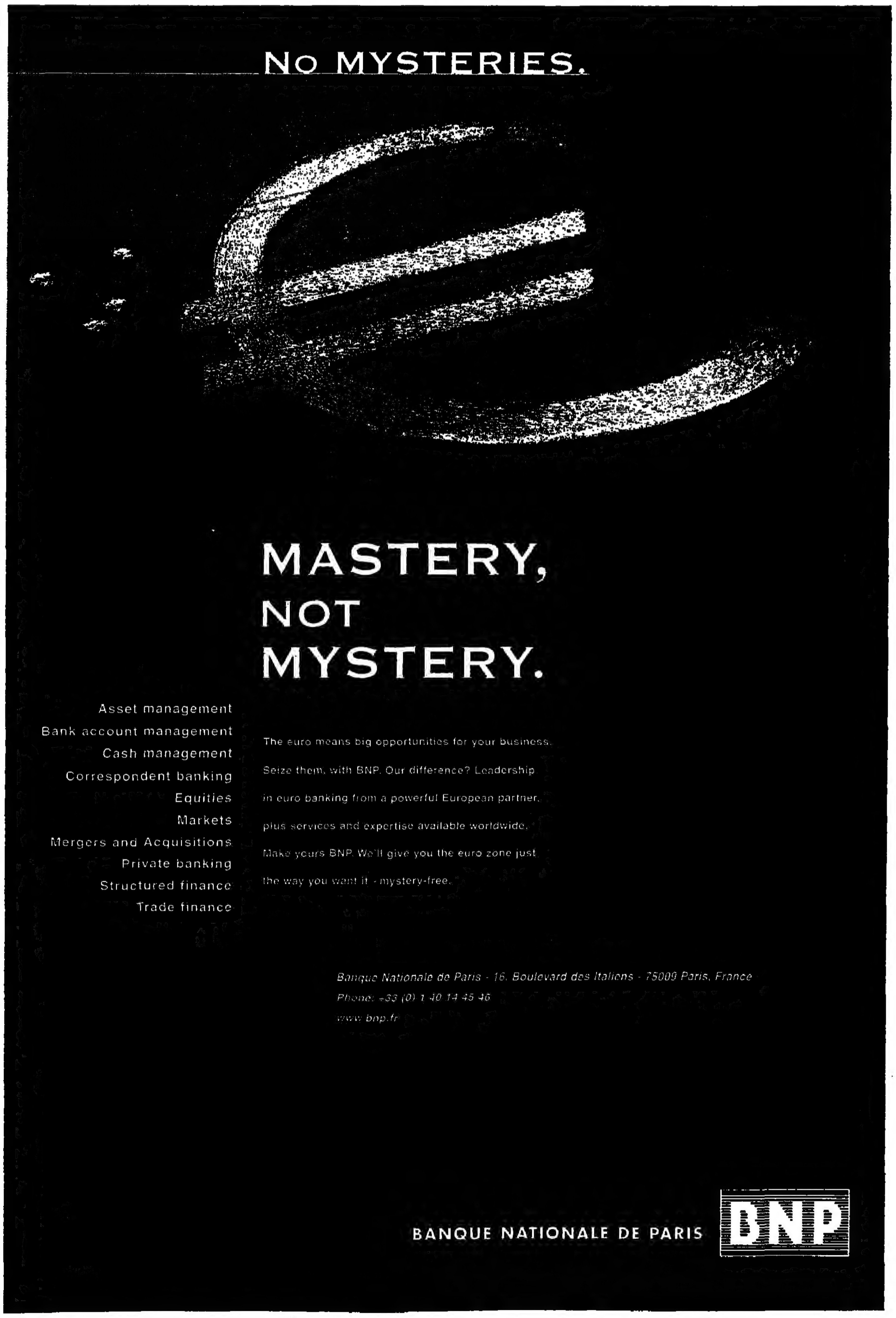
But even last year, the NNPC's budgeted $2.8bn share was cut back.

The collapse in the world price of oil, Nigeria's principal source of foreign exchange earnings, led Gen Abubakar to forecast a 54 per cent drop in revenues in his 1999 budget address. The austerity measures he announced leave little room for manoeuvre in a crucial year for the country's political future, with multiparty elections due to bring in the first civilian government in 15 years.

The budget has a built-in plea for support from international financing institutions in rescheduling Nigeria's $34bn external debt on bridging a forecast current account deficit. Mr Usman said 1999 debt servicing requirements would be $3.6bn. The budget allows for only $1.5bn.



A drilling rig in the Soku oilfield. Nigeria's difficulty funding its share of joint ventures has hampered the industry



Realistic Indonesian budget welcomed by markets

By Greg Earl in Jakarta

Indonesia yesterday made a positive start to recovering from its deep recession by announcing a budget that has been welcomed in the financial markets.

The government forecasts zero growth in the year beginning April compared with a 14 per cent contraction in the calendar year just finished, inflation at 17 per cent compared with 77 per cent and an average level for the rupiah of 7,500 to the US dollar compared with a low of about 17,000 last year.

But the budget outlook has been severely burdened by the plunging oil price and the emerging costs to the government of capitalising the country's troubled banks by issuing government bonds.

Financial analysts have welcomed the assumptions in the document, in contrast to a year ago when an unrealistic budget triggered the country's economic collapse and the resignation of President Suharto. The Jakarta Stock Exchange yesterday closed up 3.7 per cent and the rupiah was at 7,850 to the US dollar compared with 7,950 on Monday.

"It's a pretty believable exercise. You can take this a whole lot more seriously than last year," said SG Securities regional economist, Mr Neil Saker.

But Indonesia's continued heavy dependence on foreign official aid flows is highlighted by the projection that it will receive $10.3bn from unspecified sources to plug the difference between domestic revenue and total spending. It is counting on a total of $11.2bn in official capital flow into the balance of payments.

Those figures compare with about $5bn in mostly foreign loans to the budget before the crisis and a total of $18.3bn in official capital flow in this financial year.

The government says the budget deficit is 4.7 per cent of GDP although the total flow of expected foreign money in the budget year is equivalent to about 9 per cent of GDP.

The total size of the budget has fallen 17 per cent in rupiah terms but remains similar to last year in US dollar terms at about $29bn, after accounting for a stronger than expected rupiah recovery late last year.

The budget's spending priorities have been burdened by financing the recapitalisation of Indonesia's insolvent banking system with plans to spend Rp18,000bn ($2.3bn) paying interest on special bonds – 8 per cent of total spending.

Disillusioned Hong Kong starts to ask for more government

Louise Lucas finds new hardships are diminishing faith in the traditional laissez-faire policies

Hong Kong is starting a winter of discontent: recession, made inglorious by what some see as a crippled policy-making machinery.

Economic pain, well documented statistically, is starting to affect households. The economy shrank a record 7 per cent year-on-year in the third quarter of 1998 and a round of pay freezes is marking the New Year at some of the territory's biggest employers, including Hongkong and Shanghai Bank.

Worse news is expected in February, when the traditional lunar new year bonuses are distributed – or have been, as a matter of course, until now.

Some employers have sought to pre-empt the shock by linking bonuses to performance, but it is a notion that goes against the grain of Hong Kong style capitalism. When Hongkong Telecom – which already failed to impose a 10 per cent pay cut on its 13,200 workforce – tried to link its 13th month bonus to performance, employees and unions squealed.

Corporate Hong Kong, fighting its own battles in an environment of high overheads and slack demand, is *also looking for government* action. Retail business, tourism, financial services and trade are all shrinking; but only property has been given a significant lift, with a nine-month freeze on government land sales.

The government won scant gratitude for this gesture. Li Ka-shing, one of the biggest property barons, last month delivered a massive no-confidence signal by forgoing a HK$10bn (US$1.3bn) project in the territory, complaining that the political environment was not conducive to investment.

Non-property businesses, meanwhile, are fretting about eroded competitiveness, and casting an envious eye towards Singapore where the government has taken charge of engineering a turn-around by implementing wage cuts and some tax rebates.

"Singapore's actions make the Hong Kong government look flat-footed," says Bob Broadfoot, managing director of Political and Economic Risk Consultancy. "And this is bothering people."

As a neighbour and *constant rival, Singapore's* actions are closely followed in the territory. While Singapore has mapped out a vision for the future, and facilitated the way there, Hong Kong is seen to be floundering.

The administration recognises the severity of the problems, but is caught in traps of its own. The unique nature of Hong Kong's post-colonial system means that the policy makers and policy enforcers are mostly one and the same; the result, too often, is policy paralysis or policies that benefit only a select few.

The system worked in the past, says Michael DeGolyer, who oversees the Hong Kong Transition Survey on behalf of Baptist University, because of a *de facto* separation which saw the British colonialists making policy and the rank-and-file civil service implementing it.

But the return of Hong Kong in 1997 to Chinese sovereignty ended that separation; unlike other former colonies which achieved independence (such as India), the *policy making role could not* devolve to a political arm while keeping the civil service a neutral enforcer.

Instead, says Mr DeGolyer, Hong Kong has moved in the opposite direction, stifling the legislature's ability to introduce bills and giving the civil service an almost exclusive right to both make and enforce policy.

"That of necessity politicises the civil service and creates factions within it, and that destroys and complicates its professional ability," he says. It is also all the more galling in a government unimpeded by big issues such as defence and seeking to win votes.

At the same time, other faultlines are emerging in *Hong Kong's fledgling* democracy: executive versus legislature; old-style business versus a legislature intent on accountability and livelihood issues.

An evolving political system makes divisions inevitable; for Hong Kong, the crux is that splits are occurring at a time when the desire for greater government intervention – in contrast to the rule of "benign neglect" pioneered by the colonial administration – is growing.

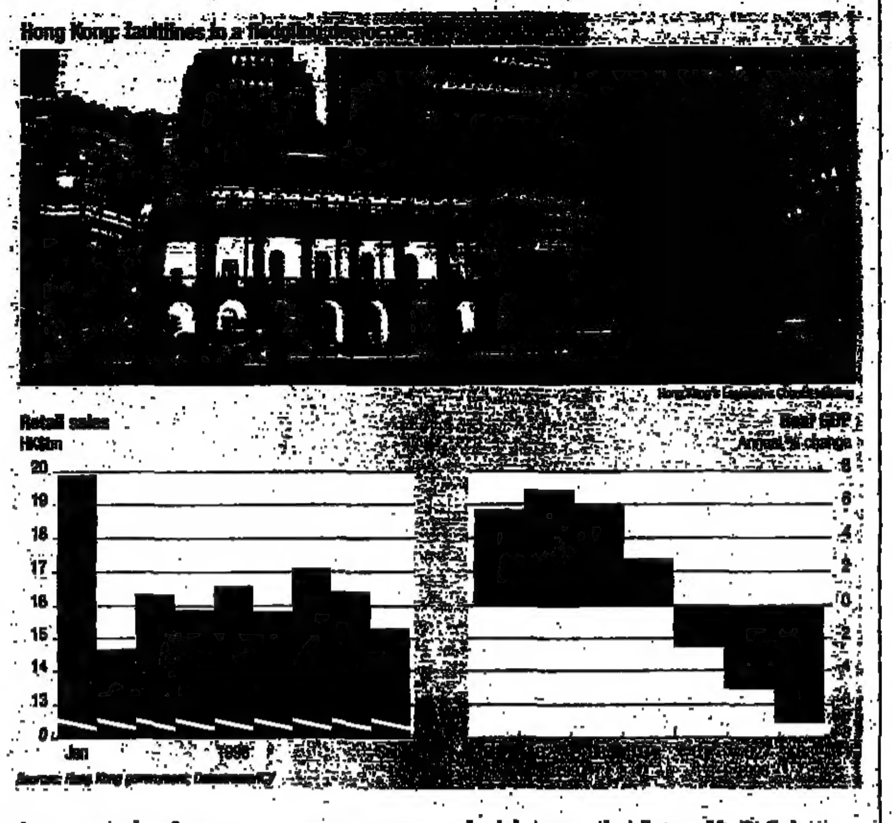
A survey by the Baptist University found that the rating of Donald Tsang, financial secretary, rose after his HK$118.1bn share buying binge in August – the biggest instance of government going against the *laissez-faire grain*. "He got out there and he fought, and Hong Kong people respect that," says Mr DeGolyer.

But Hong Kong would like to see action in other areas too. Education, now under a sweeping review, has failed to keep pace with Hong Kong's evolution from manufacturing site to services centre. Healthcare, facing budget cuts, has been riven with blunders. Another issue is the sorry state of public housing, home to around half the population.

"I think the time is right" for more government intervention, says Tsang Yok-sing, head of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong. "Although we should always *be careful that the pendulum* does not swing too far to the other side."

Ministerial system finds favour

Momentum is gathering for Hong Kong to adopt a ministerial-style system, rather than continuing to rely on non-political civil servants as policy makers. Henry Tang, a member of the Executive Council, a private advisory body to Tung Chee-hwa, Hong Kong's chief executive, said such a system would increase accountability. Allen Lee, veteran politician and former head of the pro-business Liberal party, warned that Mr Tung's failure to adopt a ministerial system might mean he was not selected to run for a second term.



Asian downturn hits Australia

By Gwen Robinson in Sydney

Australia yesterday recorded its third consecutive *monthly trade deficit* and a fall in business expectations for the March quarter.

The data indicated that Asia's economic downturn was beginning to weigh on Australia's robust economic growth, which reached 5 per cent in the year to September. The government has forecast slower economic growth of about 2.75 per cent for the financial year to June. But economists were surprised by the extent of November's fall in exports.

The latest trade figures, reinforced by a weaker business outlook for March-quarter earnings, supported the government's predictions of an increase in the current account deficit to about 6 per cent of gross domestic product in the year to June.

They also fuelled specula*tion of a further interest rate* cut by the Reserve Bank of Australia, the central bank, which last month cut official cash rates by a quarter of a point to 4.75 per cent.

In November, Australia's balance of goods and services showed a deficit of A$980m (US$600m), an improvement on October's *deficit of A$1.13bn*, but larger than earlier forecasts of a A$900m shortfall. Exports fell nearly 4 per cent while imports fell nearly 5 per cent, according to the government's bureau of statistics.

More significantly, exports to Japan – Australia's largest market, representing nearly one-third of exports – plunged 13 per cent to their lowest level in seven months. Overall exports to Asia were down 7 per cent in the first 11 months of 1998, although they stayed flat in November.

The government will later this month launch a new campaign to help exporters step up their trade diversification efforts. Measures will include the opening of trade offices in Latin America and *Eastern Europe.*

Analysts said the fall in gold trade explained some of the exports decline in November. Cereal grain exports fell an annual 20 per cent.

NEWS DIGEST

GOVERNMENT ADMISSION

Malaysian police did give Anwar a beating

The Malaysian government yesterday admitted that police had beaten Anwar Ibrahim, the sacked former deputy prime minister, while he was in custody. However, Mohtar Abdullah, the attorney general, said that not all the injuries found on Mr Anwar were caused by the police.

"Several injuries alleged by [Mr Anwar] are not true [but] there are injuries which are proved to have been caused by police officers," he said in a statement. Mr Anwar, facing charges of sodomy and corruption, which he denies, was arrested by police in September. He appeared in court on September 29 with a black eye and alleged that he had been beaten unconscious by the police, provoking a storm of protests from world leaders.

Prosecutors yesterday closed their case in the first stage of the trial, after 40 days of testimony and 23 witnesses.

The court is initially considering four corruption charges, with another six charges still to be heard in a trial that could last until June. **T.J. Tan, Kuala Lumpur**

TAIWANESE SHARES FALL

Market ignores reassurances

Taiwan government attempts to reassure investors were upset yesterday when stocks plunged to a 29-month low. The 4 per cent fall, on the island's first trading day of the new year, came in spite of intervention by the state's T$283bn (US$8.8bn) stabilisation fund and the recent announcement of fresh measures to shield the economy from Asia's economic storm.

Even construction shares fell, in spite of the announcement last week of a T$150bn housing loan plan aimed at boosting the troubled property market.

Taipei has recently also pushed forward infrastructure spending, cut interest rates and ordered extra lending for ailing companies to try to ensure annual economic growth does not fall below 5 per cent. However, the stimulus measures have failed to reassure a stock market that fell 21.6 per cent in 1998. **Mure Dickie, Taipei**

World stock markets, Page 34

HONG KONG REAL ESTATE

Property deals decline

The number and value of property deals in Hong Kong fell sharply last year, underlining the toll taken by the sector as the territory veered into recession. Hong Kong real estate, among the highest priced in the world, has seen its value halved since the peak in summer 1997.

The value of property deals last year fell to HK$340.91bn (US$44bn), down 60.7 per cent on 1997 and 28.2 per cent lower than in 1996, according to the Hong Kong Land Registry.

However, the December figures showed a sharp rise, reflecting in part the lower base by December 1997. The Land Registry said it had received double the number of sale and purchase agreements last month compared with a year ago, although the number was marginally lower than in November.

While property developers continue to sound optimistic, analysts reckon property prices could fall further. This is partly because rising unemployment and a tendency to cut or freeze pay does not encourage first-time buyers to take on mortgage commitments. **Louise Lucas, Hong Kong**

MALAYSIAN TRADE

Weak imports boost surplus

Malaysia yesterday announced another large trade surplus for November, but analysts said it was not surprising as imports remained weak. The trade surplus was M$6.5bn (US$1.7bn) in November against a M$6.6bn surplus in October, the Statistics Department said.

"The trend was not surprising as the surplus was due largely to a contraction in imports," said Bhanu Baweja, regional economist at research firm IDEA. "If you look at the imports numbers, they're not very good news at all. But the trade surplus itself is positive for Malaysia."

Imports in November declined by 3.6 per cent from October and 13 per cent from November 1997. The imports slowdown has helped drive a recovery in Malaysia's trade balance since November 1997. Mr Baweja said *he did not expect imports to pick up in the next few months.*

For the January-November period, Malaysia posted a trade surplus of M$51.5bn against a deficit of M$1bn in same 11-month period in 1997. The government is expecting a trade surplus of at least M$55bn for the whole of 1998. **Reuters, Kuala Lumpur**

VEHICLE SALES SECTOR TUMBLES 15.2% FOR BIGGEST FALL IN OVER TWO DECADES

Japan car industry malaise grows

By Alexandra Harney in Tokyo

Japan's car industry executives rang in the New Year with an extravagant reception at a Tokyo hotel yesterday. But even as industry leaders and the transport minister expressed optimism over the year ahead, executives revealed a deepening malaise about the industry's future.

Figures released yesterday showed that car and truck sales last year suffered their biggest fall in more than two decades, tumbling 15.2 per cent compared with the year before to 4.34m vehicles. In December alone, sales plunged 23.5 per cent year-on-year, the Japan Automobile Dealers' Association said.

The news came as comments at the Detroit car show re-ignited speculation about possible alliances between Japanese and US and European carmakers. Nissan Motors, the troubled number-two car and truck group, denied it was discussing an equity deal with DaimlerChrysler.

Nissan Diesel, its truck and engine affiliate, declined to comment on its talks with the German-US giant. Mitsubishi Motors, another "big five" manufacturer, stayed tight-lipped about foreign merger talks.

Japan's carmakers, for decades counted among the country's best blue-chip companies, were struck by the full force of recession and the south-east Asia crisis last year.

Car sales have fallen for the past 21 months running, as consumers, facing salary cuts and unemployment, spend less.

At the same time, sales collapsed for most carmakers in south-east Asia as a result of the economic slowdown. Even Toyota, the industry leader, has seen a significant contraction in turnover in Japan, with sales shrinking 14.6 per cent to 1.7m units last year. Nissan suffered a 12.8 per cent fall.

Mitsubishi and Honda saw similar declines. Mazda Motor, 33.3 per cent owned by Ford Motor, reported a 4.6 per cent slide in sales, following a steady climb over the past few years.

Truck makers, which rely heavily on demand from Japanese companies and countries in south-east Asia, suffered the heaviest falls. Truck sales fell 37.8 per cent. units. Analysts point out that the fall in the region's truck market will weigh on the industry's earnings this year.

Most analysts are pessimistic about prospects. While Yoshifumi Tsuji, chairman of the Japan Automobile Manufacturers' Association, expected a modest recovery in demand this year, few signs support this. Consumer sentiment continues to weaken and unemployment hit a record 4.4 per cent last month.

Many industry observers argue that the US will be the most critical market for Japanese carmakers this year, but Katsuhiko Kawasoe, Mitsubishi Motors president, insisted the industry must address its domestic problems first.

The first step should be to eliminate the job-for-life system, which emphasises corporate loyalty over achievement, he said. "The employment system from now on will be very different from the one we have."

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China eases access to foreign trade

By James Kynge in Beijing

China announced yesterday that it had allowed a first batch of 20 private companies to engage directly in foreign trade, in an effort to boost the country's flagging export performance.

The unprecedented permission to the private companies is a sign of growing official support for private enterprise in China, and a signal that competition between state-approved trading houses is set to intensify.

Private companies have previously been allowed to import and export only through state-run trading houses, which charge a significant commission often for doing little more than stamping an official seal of approval on cargo consignments.

"From now on we will be able to trade directly ourselves. This means we won't have to pay the trading company 0.5 per cent of the cargo's value and we won't suffer from bureaucracy," said Liu Yonghao, chairman of the New Hope Group, China's biggest animal feed producer.

Motivation for the change comes from an official exhortation late last year for China's foreign trade authorities to try in a "thousand and one ways" to boost exports. Exports in 1998 fell slightly against 1997, failing to meet a trade ministry target of 10 per cent growth, and falling far short of 1997's 20.9 per cent year-on-year increase.

Tolerance towards private companies has grown progressively in Communist China over the past two decades of economic reform, but official policy continues to be weighed in favour of state-owned, or collectively owned companies which still control the lion's share of corporate assets.

The state and collective sectors, for example, still enjoy easier access to bank borrowing than their wholly private counterparts.

Although yesterday's announcement was good news for the New Hope group and private companies engaged in textiles, building materials, light industry, computer software and other businesses, it threatened to amplify the problems of thousands of the country's trading companies.

Trade officials said there were about 7,000 state-licensed trading houses throughout China. Many of them were experiencing severe difficulties, while a few in remote parts, such as in the south-western province of Yunnan, had been forced to close down.

Increased pressure from exporters forced to cut prices to compete with south-east Asian or South Korean rivals has meant many trading houses have had to cut their commissions. They have also been hit by state companies increasingly being allowed to conduct foreign trade directly.

Glaxo Wellcome chief wants India patent law reform

By Krishna Guha in Bombay

International pharmaceutical companies will step up investment in India if the country brings in modern patent laws, Sir Richard Sykes, chairman of Glaxo Wellcome, said yesterday.

India could become an important centre for research and for manufacture of patented drugs for export, he added. Glaxo India is already the country's biggest pharmaceutical company.

Sir Richards comments, in an interview with the FT, followed an address to the Bombay Chamber of Commerce, in which he urged India to push ahead with patent reform – a deeply controversial issue in India.

"India holds great potential for the pharmaceutical industry," he said. "But for that potential to be realised ... is dependent upon the introduction of world class intellectual property rights here."

At present India only recognises process patents, and not product patents. This enables local producers to replicate patented drugs with minor variations in the manufacturing process.

"India is a problem for us," said Sir Richard. "It is a very, very difficult market for any research-based international pharmaceutical company to operate in."

Last month India's government introduced a bill offering pharmaceutical companies exclusive marketing rights for new products – seen as a stepping stone to full product patents.

However, the bill met furious opposition from within the ruling Bharatiya Janata party.

The government failed to push it through parliament in the winter session, which has now ended. Senior ministers promise to reintroduce the bill in the next session of parliament.

Sir Richard said patent reform would bring renewed global interest in India. He said international pharmaceutical companies could develop research facilities which take advantage of India's low-cost pool of professional workers.

"There is good science going on here, good mathematics. You have educated people, skilled people," he said. "There is great potential for this country to utilise its resources."

However, he added: "At the moment we could put a lot of money into research and everything we made could be copied by a fellow down the road." Sir Richard said Glaxo Wellcome already used India as a manufacturing source for a limited number of off-patent drugs for export, and would expand this in future.

SAS may file Boeing claim

By Tim Burt in Stockholm and Michael Skapinker in London

Scandinavian Airlines System, the three-nation Nordic carrier, is planning to seek a multi-million dollar compensation package from Boeing following late aircraft deliveries by the US aircraft manufacturer.

SAS – a launch customer for the latest version of Boeing's 737 short-haul jet – is likely to file a compensation claim this spring after delays of up to 10 weeks on its new fleet of 737-600 aircraft, first ordered in early 1995.

The carrier, 50 per cent owned by the governments of Sweden, Norway and Denmark, has placed a firm order for 55 of Boeing's 737-600 aircraft in a deal worth $1.5bn.

Senior officials said delays in introducing the new aircraft had forced it to postpone the disposal of ageing Fokker turboprops and McDonnell Douglas jets, some of them more than 20 years old.

"It is a big problem for any airline to suffer late deliveries," said a senior SAS executive. "We will present Boeing with a compensation package, but the exact claim will not be decided until Boeing proves it can return to the original delivery schedule."

Boeing refused to comment on the SAS compensation claim. The Seattle-based manufacturer has been plagued by production difficulties since 1997, when it was forced to suspend some of its production lines for a month.

The group, the world's biggest aircraft maker, announced last month that its profits in 1999/2000 would be 25 per cent lower than expected because of the Asian financial crisis. About 50,000 employees – 20 per cent of the workforce – are to lose their jobs.

Boeing indicated this week, however, that it had been able to make up some of its production delays. The company said it had delivered 191 aircraft in the fourth quarter of 1998, bringing total deliveries for the year to 559. Boeing had set itself a target of 550 deliveries for the year.

Of the 55 jets ordered by SAS, eight have been delivered so far and just four have entered service – some 30 per cent behind the original timetable.

In all, SAS said it had lost almost one and a half "aircraft years" – or service life from the 737 fleet – because of the delays.

Boeing has pledged to cut the delivery delays from 10 to six weeks, returning to the scheduled timetable by April.

SAS executives indicated the compensation claim would reflect cancellations and disruptions caused by late deliveries, as well as the carrying cost of old aircraft earmarked for disposal.

The carrier, which has options on another 41 Boeing 737s, declined to estimate the costs involved.

Executives also disclosed that the carrier had not yet finalised a decision on new long-haul aircraft to replace its fleet of Boeing 767s. It is believed to be considering proposals both from Boeing and Airbus, the European aircraft consortium.

US tries to close last Asian refuge of CD pirates

Jonathan Birchall
on the start of Vietnam's copyright deal with the US

The WOW compact disc shop on Hanoi's Hang Trong street opened just two months ago under the slogan "We offer whatever you want". For young Vietnamese consumers, that can mean copies of music CDs by everyone from Depêche Mode to the Three Tenors, on sale for less than $2 a disc.

Disgruntled regional recording industry executives are hoping that a much delayed copyright agreement between the US and Vietnam will give them a little of what they want too – by cutting back on increasingly flagrant copyright abuse in Hanoi and Ho Chi Minh City.

The US-Vietnam copyright agreement, the first of its kind between Hanoi and a foreign country, came into force on December 24, some 18 months after it was signed by Madeleine Albright, US secretary of state, and Nguyen Manh Cam, Vietnam's foreign minister.

The long delay reflected protracted wrangling over Washington's insistence that Hanoi first produce the regulations required to give the agreement legal force. Further likely problems with enforcement now lie ahead.

At stake is a small but rapidly growing market, in a country with 79m people, more than half of whom are under 25 years of age.


CDs on sale in Hanoi: laws are now in place to allow action to be taken against pirated goods AP

Under the terms of the copyright agreement, American companies and individuals can now in theory take action in the Vietnamese courts against copyright abuse; they are also entitled to seek enforcement of their rights by Vietnam's ministry of culture and information.

Given the complexities of the Vietnamese legal system, and continuing doubts over its impartiality in supporting claims by foreigners, the burden of enforcement is expected to fall chiefly on the ministry of culture's copyright department. Officials there say steps are being worked out to ensure full enforcement of copyright protection, but decline to give details.

The ministry of culture may also find itself under further pressure to end its own involvement in copyright infringement. It was not until last year that one of its subsidiary companies, Fafim, stopped producing and marketing pirated video tapes of American films. Pirated videos of current releases subsequently virtually disappeared from shops in Hanoi. But publishing houses controlled by the ministry of culture remain responsible for the printing of unauthorised translations of American novels and text books.

By contrast, pirated music CDs and software are being smuggled into Vietnam, mostly from China and Hong Kong. Vietnam itself has only one CD manufacturing plant, operated in Ho Chi Minh City by state-owned Saigon Audio, which has a limited production and distribution agreement with PolyGram in Hong Kong.

Earlier this year, the Business Software Alliance, which campaigns against piracy, estimated that 98 per cent of all business software installed in Vietnam was unauthorised – although, with less than half a million computers in the country, the overall market still remains tiny.

In Washington, Charlene Barshefsky, the US trade representative, welcomed the start of the copyright deal, saying it filled "the largest remaining gap in copyright protection of US works in East Asia".

However, the effort so far expended in at last enacting the 11 articles of the agreement does not bode well for an early agreement on a far more complex trade agreement between Hanoi and Washington.

Negotiations on a proposed trade agreement have been under way since 1996; a further round of talks will be held in Hanoi in March or April, although the two sides remain far apart on a broad range of substantive issues.

PUBLIC NOTICE

IRELAND

Office of the Director of
Telecommunications Regulation

ODTR 98/63

TELEVISION TRANSMISSION LICENSING FOR CABLE AND MMDS - REPORT ON THE CONSULTATION

The Director of Telecommunications Regulation wishes to announce the issue of Television Transmission Licensing for Cable and MMDS - Report on the Consultation, document ODTR 98/63. The document outlines the process that has occurred to date regarding the granting of new cable/MMDS licences, the provisions for draft regulations and licences proposed by the Director in respect of cable and MMDS services, and the next stages of the process to be followed by the Director.

Full details are given in the document, which is available from
Ms Mary O'Donnell,
Office of the Director of Telecommunications Regulation,
Abbey Court, Lower Abbey Street, Dublin 1, Ireland.
Phone (01) 8049600; Fax (01) 8049680.

Document 98/63 is also available on the ODTR Website at:
http://www.odtr.ie

Etain Doyle, Director

EUROPEAN SINGLE CURRENCY MOVE WILL ENABLE BANK OF ENGLAND TO FULFIL OBLIGATIONS AS PART OF TARGET PAYMENT SYSTEM

Central bank set to issue debt in euros

By Edward Luce, Capital Markets Editor

The Bank of England, the UK central bank, is to issue debt in its own right for the first time since 1716 as part of its commitment to the euro-zone's inter-bank payment system for the single currency.

The Bank yesterday said it would issue up to €3.5bn ($4.2bn) worth of debt over the next few years in short-term Treasury bills with maturities of less than a year. The UK Treasury currently issues euro-denominated debt, but this will be transferred to the Bank of England's funding programme.

The move will enable the Bank to fulfil its obligations as a member of Target, a high-value payment system set up by the European Central Bank to make possible smooth financial transactions in the single currency.

The Bank will be required to deposit between €2.7bn and €3.3bn with Target on an intra-day basis to ensure the system remains liquid. It will issue its first euro-denominated paper in April.

The Bank was deprived of its government debt-raising capacity in 1716, when it was handed over to the Exchequer. Prior to the nationalisation of the Bank in 1946 it issued stock – a hybrid of debt and equity.

Yesterday's move means that the debt management office, which issues debt on behalf of the Treasury, will increase the gilt (government bond) funding requirement by up to £2.5bn to replace the euro-denominated T-bills that have been transferred to the Bank.

● Tony Blair, the prime minister, faces mounting pressure from more than 100 pro-European Labour MPs to set a target date for early British entry into the single currency, George Parker writes. Giles Radice, a senior MP and chairman of the cross-party European Movement, warns today that British companies are suffering as Mr Blair hesitates.

He speaks for a growing body of Labour MPs who intend to increase pressure on the government to argue strongly in favour of UK entry. In a letter to the Financial Times, he says: "It is time for the government to come out publicly in favour of membership and to set a target date for entry."

Mr Radice, also chairman of the influential House of Commons Treasury committee, believes the smooth launch of the euro has strengthened the hand of the pro-Europeans. The Labour Movement for Europe, which currently includes around 100 MPs, is hoping to increase its membership to 150.

An early test of the mood of the House of Commons will come next week when the pro-European Liberal Democrat party is expected to announce a debate on the new currency.

The Conservatives, the biggest opposition party, yesterday claimed the government was having the "worst of all worlds" by standing nervously on the brink of joining the euro-zone.

Letters, Page 12

Scotland prepares for return of government

This year Queen Elizabeth will open the country's assembly, its first parliament for 300 years. **James Buxton** reports

Campaigning has in effect started for the May 6 elections that will give Scotland its first parliament for nearly 300 years.

By the time Queen Elizabeth opens the assembly on July 1 the region will have its own government – the Scottish executive – and the UK parliament at Westminster will have handed to Edinburgh most of its legislative power for Scotland.

Lobbying companies are moving into Edinburgh from London and staffing up to target the new members of the Scottish parliament (MSPs). The city's corps of consuls are discovering that Scotland is no longer a backwater. But it is clear that the Scottish legislature will be very different from Westminster.

The 129 MSPs will sit in a semi-circular chamber rather than on opposing ranks of benches when the new building – designed by a Spanish architect – opens late in 2001.

Women will make up a higher proportion of the members than they do at Westminster. Labour, the pro-independence Scottish National party and the pro-European Liberal Democrats are selecting candidates almost equally from both sexes. The parliament will sit during normal office hours rather than late into the night and members will vote electronically instead of walking through "division lobbies".

The constitutional steering group drawing up the parliament's rules aims to get away from the confrontational atmosphere of the House of Commons. But the group has not said how the Scottish executive will be structured, or how many ministers there will be. The Scottish Office, the UK government's ministry for the region, currently has six. But last year a paper from the Scottish Council Foundation, a think-tank, showed that regional legislatures in Canada and Australia – smaller than the Scottish parliament – have between 14 and 21. All the posts were needed to reward supporters and permit the formation of coalitions.

Henry McLeish, a UK Scottish Office minister, last month complained that the other Scottish parties were not producing policies for the parliament to enact. The Scottish Office yesterday announced plans for land reform, embracing ownership, control of land use and the rights of landlord and tenant. They could be implemented by the assembly.

But everything depends on the May elections. The governing Labour party was close to despair last summer as the SNP surged ahead in opinion polls. Labour has recovered and the parties are roughly neck and neck.

In the two-vote electoral system, Labour should do well under "first-past-the-post" in the constituency section. First-past-the-post means that the candidate with the biggest number of votes wins – even if he or she receives a minority of votes cast. Traditionally, this has helped Labour in Scotland. In the national election of 1997, for example, it took 77 per cent of House of Commons seats in Scotland with only 48 per cent of the vote, largely because of urban strongholds.

The SNP, however, should fare better in the party section under proportional representation because its vote is spread more evenly across the country.

There are more seats in the first section than the second so Labour would gain the biggest number of seats even if its share of the vote was the same as the SNP's.


Alex Salmond says his party wants the parliament "to work well"

Alex Salmond, SNP leader, says his party "intends to make our new parliament work and make it work well". But he adds: "We shall endeavour to make it work even better by persuading the people of Scotland that independence and the full powers of an independent Scotland continue to be needed."

If it wins a majority and forms the Scottish executive the SNP promises to hold a referendum on independence in its first term of office.

Donald Dewar, chief minister for Scotland in the Labour government, believes more people will trust Labour rather than the SNP to run the Scottish parliament. "Do they want to put into the Scottish administration a party which is promising an endless continuation of constitutional arguments?"

This article is the second in a series.

Nationalists win access to officials

By Andrew Parker, Political Correspondent

Opposition parties including the Scottish National party are to be allowed to hold confidential meetings with government officials before the first elections to the Scottish parliament, to be held in May. The SNP wants an independent Scotland in the European Union.

Opposition parties are traditionally given access to officials before national elections to prepare for the possible transfer of power. But the access for Scottish parties comes just four months before the poll. The Labour party had access to officials for 16 months before the 1997 national elections.

Sir Richard Wilson, cabinet secretary, said in a letter to the SNP: "The difference between the Scottish elections and a general [national] election is that the former will take place on a fixed date while the latter can be called many months before the end of a five-year term of office."

● An investigation into the impact of regional assemblies will examine the case for curtailing the rights of MPs representing seats in Scotland, Wales and Northern Ireland. It will determine whether the 130 MPs representing districts outside England should retain the right to intervene in debates on English legislation after the establishment of the Scottish parliament and assemblies in Wales and Northern Ireland. The investigation may increase pressure on the government to balance the constitution by speeding up plans for English regional assemblies.

Critics of Ireland accord in dispute

By John Murray Brown in Dublin

The small UK Unionist party, a fierce opponent of the Northern Ireland peace agreement, split yesterday after disagreements about the presence in any future power sharing executive of Sinn Féin, political wing of the Irish Republican Army.

The resignation of four of the unionist party's five assembly members removes from the body some of the most vocal critics of David Trimble, the Ulster Unionist leader and Northern Ireland's first minister, who is seeking support for the agreement from his own party.

Robert McCartney, a lawyer, was left yesterday as the sole UKUP survivor in the regional assembly. The other four assembly members are to form their own party.

The party's break-up does not change the arithmetic of the assembly, in which Mr Trimble still enjoys a narrow four-seat majority within the unionist block in favour of the peace accord. But it represents a further setback to the rejectionist approach adopted by many unionists to power-sharing with nationalists.

The four dissident members had defied Mr McCartney's ruling that the party withdraw if Sinn Féin were allowed to take seats in a power-sharing executive without the IRA being required first to give up its arms.

The four men said their immediate objective was to consolidate opposition to the agreement within the assembly, which would have been impossible if they had "blindly acquiesced in his exit strategy from the assembly".

The implosion of the UK Unionists comes amid signs that the Democratic Unionists of the Rev Ian Paisley, while opposed to the peace deal, will take their two seats in the executive.

NEWS DIGEST

MANAGEMENT

Women adopt male traits to succeed, says psychologist

Women can succeed in management only by adopting male traits of ruthlessness and tough-minded aggressiveness, a psychologist said yesterday. Tuvia Melamed, an occupational psychologist at Capita RAS, the recruitment consultants, published research at the British Psychological Society's annual occupational psychology conference yesterday that challenges modern management ideas. "The new teaching in business schools which stresses a caring and sharing approach by managers, highlighting female characteristics, just doesn't work according to my findings," said Mr Melamed. His four-year study covered 1,200 senior managers and executives, of whom about a quarter were women.

"While you expect to find very clear differences in personality traits among men and women in the general population, I found very few differences in the sample of managers," he said. Traits such as dominance, the need to achieve and tough-mindedness tended to surface throughout the whole sample. "This means that women were denying their femininity and adopting more masculine behaviour to get ahead in their careers," said Mr Melamed. **Richard Donkin, London**

MGAM CHIEF EXECUTIVE

Settlement expected today

Imro, the fund management watchdog, is today expected to announce that it has settled its case against the former chief executive of Morgan Grenfell Asset Management in a move that avoids a long tribunal. The settlement of the case against Keith Percy is expected to mark the end of Imro's disciplinary involvement in the unit trust scandal involving Peter Young. Mr Young, the former star fund manager at the centre of the scandal, has been charged with three others with conspiracy to defraud. Mr Percy, who was unavailable for comment last night, was sacked with four other Morgan Grenfell directors in 1996. Imro last night declined to comment. **Jane Martinson, London**

TRANSPORT

'Cars-on-trains' plan revived

Plans to revive the cars-on-trains Motorail service between London and Scotland, closed by the state-owned British Rail in 1995, have been put forward by a business executive. Graham Steele hopes by 2001 to transport 20,000 vehicles a year in Britain and between the UK and continental Europe. BR closed its Motorail service after 40 years because it could not make money. It carried up to 100,000 passengers a year at its peak but motorways reduced its appeal and it was making an annual loss of £4m when it was closed. **Charles Batchelor, London**

PENSIONS SCANDAL

Regulator in publicity drive

The Financial Services Authority, the main City regulator, yesterday launched a £10m ($16.8m, €7.1m) publicity campaign to make consumers aware of the second phase of the review of the pensions mis-selling scandal, in which thousands of people were given faulty advice. The advertisements will coincide with mailings to more than 2m younger pension holders, inviting them to put their case to review. The deadline for the completion of phase one, which targeted consumers over 35 passed last week. Most of believed to have complied with it. Philip Robinson, FSA director of communications, said this was the first time such a publicity campaign has been used in regulatory action. By the end of November, 330,000 investors had accepted offers of compensation worth more than £2bn. **Vicki Bakhshi, London**

FRAMLINGTON GROUP

Former chairman dies

Sir William Stuttaford, former chairman of the Framlington fund management group and of the Unit Trust Association, has died at the age of 70. As a partner in the stockbroking firm of Laurence, Prust, Bill Stuttaford helped to set up Framlington as a fund manager in 1969. He personally managed its flagship unit trust, establishing an unrivalled record in the 1970s and 1980s. He presided over Framlington's spin-off from Laurence, Prust but left after the group succumbed to a £70m takeover from Throgmorton Trust. He became deputy chairman of Brown Shipley, the merchant bank, and a director of Amvescap, the US fund management group. **George Graham, London**

THE ECONOMY CALLS FOR INTEREST RATE CUT AFTER SURVEY REVEALS DROP IN OUTPUT

Engineering sector 'collapsing'

By Kevin Brown and Peter Marsh

Employment, investment and output by the UK's engineering companies are collapsing as the industry enters a "very deep" recession the Engineering Employers' Federation said yesterday. Graham MacKenzie, director-general of the EEF, called for further interest rate cuts and for help from the government to limit the impact of a predicted cut of 1 per cent in output this year.

"We are deeply concerned about the job losses going on, and about the cutback in investment plans that is taking place," said Mr MacKenzie, who represents 5,000 companies employing more than 40 per cent of manufacturing workers.

The EEF said the Bank of England's long-term aim should be to bring UK base rates, now at 6.25 per cent, into line with the 3 per cent rate set for the 11 euro-zone countries by the European Central Bank. It is also pressing Mr Brown to introduce 100 per cent capital allowances for small and medium-sized engineering companies, and to provide financial help for projects, research and training.

In its fourth quarter business trends survey, conducted with Robson Rhodes, the accountants, the EEF said seasonally adjusted output volume fell to its lowest point in five years.

The survey, which covers the three months from early September 1998 to early December, measures the difference between the percentage of respondents reporting an improvement and those reporting a deterioration.

After seasonal adjustment, a negative balance of 28 per cent of companies said output had fallen during the period, compared with minus 22 per cent in the third quarter.

This was reflected in a sharp fall in capacity utilisation: 23 per cent of respondents reported their plant working at a satisfactory rate, down from 27 per cent.

Pay settlements also declined sharply in the past six months and were further below the service sector average than at any time since the late 1980s.

The restraint underlined how the sector had been forced to react to economic pressures, including the strength of sterling and weakness in important export markets such as south-east Asia. In November 1998, the last month for which figures are available, EEF member companies that publicise pay settlements awarded employees annual rises averaging 2.2 per cent. In June last year the figure was 3.8 per cent.

Demand for property expected to rise

Demand for UK property is expected to grow over the next six months despite a more pessimistic business outlook, **Norma Cohen writes.** The findings come in a biannual survey from the Confederation of British Industry, the employers' lobby, and GVA Grimley, the property consultancy. But the net balance of respondents expecting an increase in property holdings – 12 per cent – is the lowest since 1994, according to Stuart Morley, head of research at GVA Grimley. The reason for increased expenditure had also changed. "Twelve months ago, the most important reason was the desire for expansion; now it is the need to increase efficiency."

Sudhir Junakar, CBI associate director of economic analysis, said the survey suggested that although demand might rise, there could still be surplus property on the market.

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MANAGEMENT

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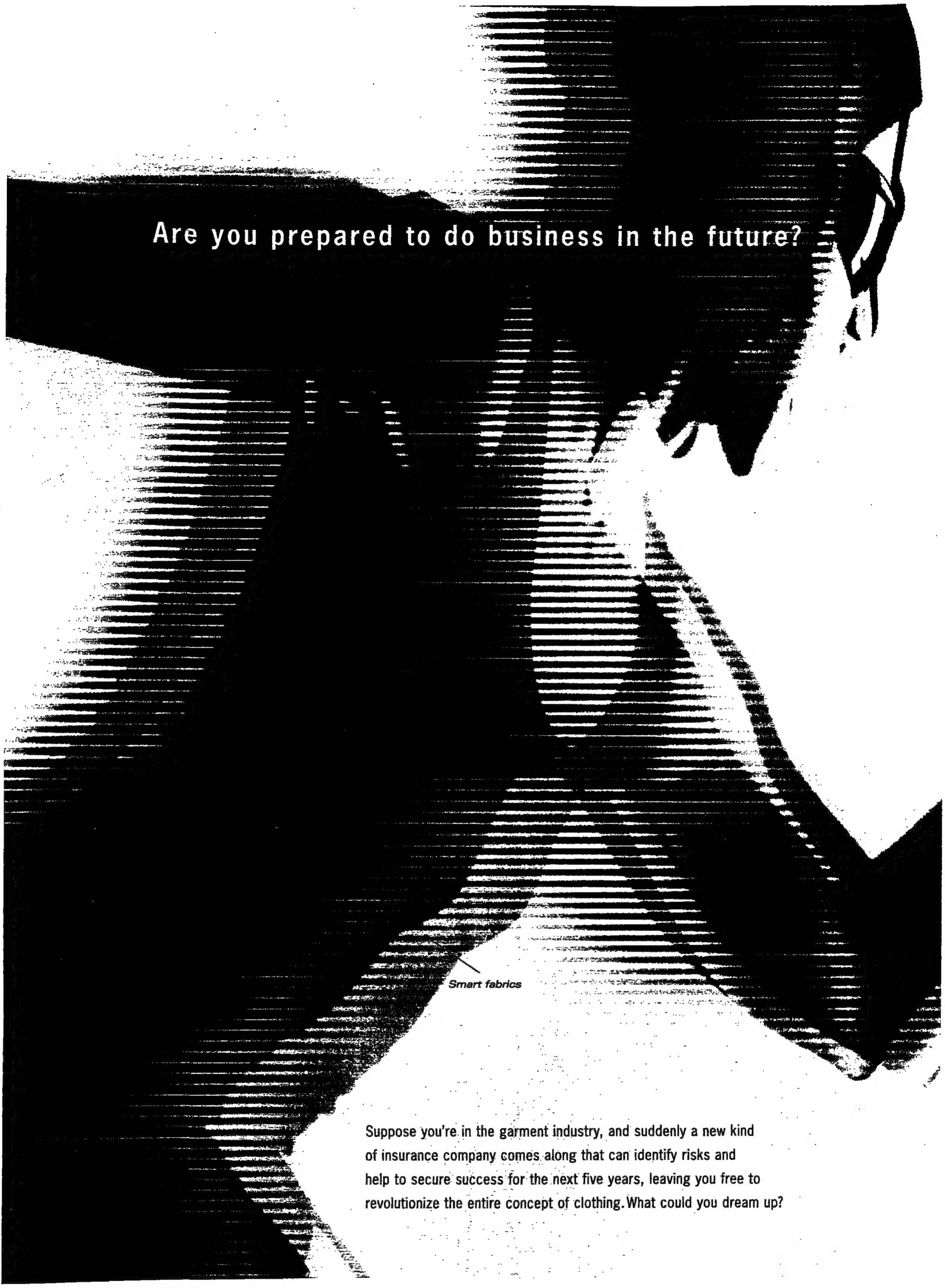

IT SMART CARDS

Manhattan transfer failure

An abandoned test in New York shows the US may miss out in a technological revolution, writes **John Authers**

Last week, as the old year ended, the most ambitious attempt yet made to introduce smart cards to the US ended with it. After 15 months, a pilot programme in Manhattan's Upper West Side including Visa and MasterCard, the two largest global bank card associations, along with Citibank and Chase Manhattan, New York's two biggest banks, was abandoned.

The smart card readers installed with retailers in the area are now being removed, ensuring that the Mondex and Visa Cash cards distributed during the pilot will not be the basis for a national system of smart cards, using embedded chips rather than the traditional magnetic stripe.

The abandonment of the trial was a blow to the smart card industry because of its implications. Although smart cards have been used successfully in closed environments, such as US universities, chip card makers have yet to crack the US market as a whole. This raises the rare prospect of the US being left behind by a technological revolution that is sweeping the rest of the world.

That, in turn, could hit smart card users. Problems in developing the US market would hamper attempts to add extra functions to the smart cards already carried by international travellers from Europe.

Europeans and to some extent Asians are getting a bit frustrated with the US moving so slowly. I think that is going to create some interesting tensions," says Malcolm Williamson, who last year took over as chief executive of Visa International.

In the Manhattan trial, neither retailers nor customers warmed to the cards, which never generated the hoped-for volumes. The world's financial press, being on the doorstep, naturally witnessed and reported the trial, usually in terms of doubt.

All involved seem to agree on one lesson - that "stored value" alone was not enough to persuade New Yorkers. The cards allowed users to load money on to the chip from their normal ATMs, and spend it at retailers. Copious advertising told them this would cut the amount of loose change they would need.

Mr Williamsonattributes the US reluctance to move to chip technology to the fact that it had built an infrastructure for magnetic stripe cards before the rest of the world, and had cheap telecommunications to back up the stripe cards. There is little economic incentive to change.

There were also more specific reasons for the New York pilot failure. The banks were asking consumers to put yet another piece of plastic into already overflowing wallets, and future smart card pilots will probably rely on existing magnetic stripe cards with chips added. (Consumers expressed similar concerns about having to carry another card during a recent Mondex trial at Swindon in the UK).

'The Europeans and to some extent the Asians are getting a bit frustrated'

Most retailers in the Upper West Side area were signed up to accept the cards, but most Upper West Siders work elsewhere - making the cards effectively only usable at weekends.

In future, suggests Richard Phillimore, MasterCard's head of smart cards, the association will ensure it can make guarantees to customers – such as that the cards can be used in all branches of a retail chain or in any launderette or at every station in a rapid transit system.

Smart cards' selling point in future, Visa and MasterCard agree, will be multiple functions. Ideally, they will carry consumers' loyalty points and maybe even their identification cards. They might even be used to short-circuit the tedium of checking in at hotels or airports. Stored value will be just part of the "suite" of functions.

But Visa and MasterCard seem unlikely to collaborate on any similar joint venture in the near future, and they are locked in an acrimonious argument over standards.

An important objective of the pilot was to test "interoperability". Two systems – Visa's Visa Cash and MasterCard's Mondex – were tested. Both operated on the same equipment.

This technology worked. However, Visa officials said retailers had complained about the complexity of going through two different processes for the two cards, and called for a move to a common electronic purse standard. This would allow all smart cards to work off the same reader using the same process, and competition between banks would hinge on the extra benefits they loaded on the chips. Visa is developing such a standard, based on the Java programming language.

However, MasterCard believes the technical success of inter-operability in New York provides sufficient standardisation, and that different systems should continue to be developed separately.

According to Mr Phillimore: "I don't believe it's in the banks' competitive interests or the associations' competitive interests to develop a common product. It is very difficult in this area to separate standards from products – you inevitably get into a common definition of a common product."

Test that's toast: the ease of using smart cards even for items as small a bagel was not enough AP

Visa, on the other hand, wants more standardisation. Mr Williamson describes Mondex as "one of many potential operating systems", and adds: "The best thing that could happen is that it is made to operate on the open operating platform."

He believes that global standards would help stimulate competition, which would then be defined by whatever functions banks put on the chip. And he draws comparisons with the growth of the magnetic stripe that also required a common standard before it became popular.

The issue is important because of the infrastructure costs involved in building a new smart card network. Banks will be reluctant to build a network of smart-card readers if there is a risk they could quickly be superseded. But without broad acceptance for chip cards, consumers are unlikely to use them.

Despite the outcome of the Manhattan trial, Mr Williamson can still sketch a credible path that will lead the US finally to embrace smart card technology. Defence against fraud will be important, but there will be a concern to protect franchises and to expand customer relationships.

The last thing banks need, he points out, is for other players to break into their ground. Smart cards with extra functions could allow retailers, or the biggest names in the internet, to usurp banks' control of the payment system.

Smart cards will allow banks to extend their relationships with customers. "If you have an international traveller from Britain in five years' time who is used to a chip, but when he gets to America he has got to use a magnetic stripe, he may not feel he is getting the best service. There is all sorts of peer group pressure on this."

And both MasterCard and Visa believe they can see a "killer application" on the horizon – payments over the internet. Mr Phillimore suggests that smart cards will be ideal for e-commerce, because they allow an individual's identification to be made portable. Using a smart-card reader, a user can sign in to a secure web site from any terminal.

It also has the advantage of being easily used for very small payments. Most information on the internet is free, Mr Phillimore says, simply because it would be too difficult to charge small sums for it. Smart cards would change that.

LOUISE KEHOE
IN SAN FRANCISCO
EAGLE EYE

My virtual certainties

A nerve-racking year ahead for investors in internet stocks seems a safe prediction

It is time for that grand tradition of the new year: making predictions. In the fast changing world of high-technology this is a perilous business, but at the risk of having to eat my words, here goes.

● Internet on television sets will not be a success. This is a safe prediction for the first half of the year, and my bet is that it will hold true well into the new millennium. I just don't believe that most people want to see web pages on their TV screens.

One exception may be hotel room services. For business travellers, the ability to look up web pages and access e-mail without setting up a laptop PC and incurring outrageous telephone charges for spending half an hour online is a real benefit. But in the home or office there is no question that a computer is – and will remain – the best appliance for viewing the Web and exchanging e-mail, despite the hopes of Sun Microsystems and Oracle.

Those who expect to bring the internet to the "non-computing" public via television ignore an important factor. Watching television is not a solitary activity. Switching off ER to check your e-mail will do little for family harmony.

● Another safe bet: 1999 will try the nerves of investors in internet stocks. On Monday, the first trading day of the year, shares in Spyglass, the internet software company, closed 32 per cent lower after the company said it would report a loss for the last quarter.

Since most internet companies have yet to report a profit, why should one more quarter of losses upset Spyglass investors? In this instance, Wall Street analysts had been predicting a modest profit for the quarter. We can expect to see this pattern repeated and repeated over the next 12 months as internet companies fail to live up to optimistic expectations and analysts begin applying traditional valuation methods to their shares.

● Who will be the winners in 1999? PC manufacturers with spiffy new designs, manufacturers of flat screen displays, and those involved in bringing customer service to the internet top my list. Let's give credit where it is due. The Apple iMac has been a huge success. It offers little in the way of new technology, but it looks good and it has been backed by a relentless advertising campaign. The "beige box" makers are not ignoring this trend. Expect to see a lot more imagination going into the design of computers this year.

A flat screen display is on my wish list. It is one of those products you want to own at first sight. If manufacturers can get prices down to, say $500, there will be huge demand.

Customer service is essential to the continued growth of internet commerce and this year we can expect to see some retailers, as well as business-to-business sellers, bringing live video of real salespeople to their web sites. Others will have customer service representatives available to respond via telephone or instant messaging services.

● Meanwhile, there are two big issues hanging over the high-tech industry in 1999. What will be the effects of Y2K bugs? And how will the Microsoft antitrust trial end?

Here are my best guesses:- There will be no catastrophic Y2K problems in the US. Computer failures will cause some inconvenience, but fears of widespread business closures are unfounded. Unfortunately, the same may not be true of other parts of the world, such as eastern Europe and parts of Asia. And Y2K bugs will not manifest themselves suddenly on January 1, 2000. Many software applications that deal with annual figures will start using new millennium dates in the coming months. So well before the end of this year, we will all have a much better idea of the magnitude of the problem.

Microsoft is the multibillion dollar question. With the US government still presenting its side of the antitrust case, and Microsoft yet to put its witnesses on the stand, it is too early to predict the outcome of the antitrust trial. However, the scales of justice are currently tipping away from Microsoft, making it entirely possible that Judge Thomas Penfield Jackson will rule against the company.

But what then? If Microsoft loses, what will be the effects on the IT industry and on the millions of PC users who rely on Microsoft's products? For the duration of 1999, it seems unlikely that the status quo will be upset. Even if the court were to order a break-up of Microsoft – the most extreme remedy – it would probably take years to disentangle the company's operations. Moreover, Microsoft would certainly appeal against any such judgment, leading to long delays in any direct impact on its competitors and customers.

My hunch is that it will never come to that. Rather, Microsoft may seek an out of court settlement; a compromise agreement with the US government that satisfies both sides.

For Microsoft, this would be preferable to prolonging the legal battle. It would also relieve the US Justice Department of finding a way to clip Microsoft's wings without threatening the livelihoods of thousands of US technology companies and unsettling the entire population of personal computer users. The more immediate effect of the trial may be to breed disillusion among the top ranks at Microsoft. I would not be surprised to see one or two senior executives seeking out more pleasant ways to spend their lives than defending the company's success.

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on lkehoe@ix.netcom.com

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JOHN KAY

Few competitors in a novel business

When did you last read a gripping business novel? Modern US fiction-writers have a sharper eye for contemporary commerce than their British counterparts

Last year one novel with a business theme made it to the shortlist for the prestigious UK annual literary award, the Booker Prize – *England, England*, by Julian Barnes. It was necessary reading but as I came to the end I wondered why modern novelists find it so hard to deal with modern business.

Barnes's novel is not aimed at displacing *The Seven Habits of Highly Effective People* from the airport bookstalls. Indeed it is probably enough to dissuade most Financial Times readers from picking it up if I say that Barnes is an Anglo-French intellectual, that his previous works include *Flaubert's Parrot* and *A History of the World in 10½ Chapters*, and that the theme of *England, England* is relentlessly post-modern – the transformation of the Isle of Wight into a theme park in which the image and the reality of England are hopelessly confused.

The central figure is modelled on Robert Maxwell, the egocentric newspaper proprietor who plundered his employees' pension fund before dying mysteriously in a fall from his yacht. Sir Jack Pitman is an obsessive English patriot, despite his East European origins. His vanity is unbounded and his personal habits repulsive. He has been declared "unfit to run a whelk stall" by a Department of Trade and Industry inspector but has nevertheless risen to command a great business empire.

It is significant that Barnes has borrowed rather than created the character of a tycoon and his account of Pitman has none of the vividness of Tom Bower's portrait of the real thing in *Maxwell – the Outsider*. And Barnes is far less effective than Bower in exploring the nature of a larger-than-life grotesque, or how it is that someone whose flaws are even more evident than his talents can go on winning the necessary support of people more able than himself. To find a good fictional exploration of these questions, you have to go back more than a century, to Anthony Trollope's *The Way We Live Now*.

Barnes's other central character – Martha Cochrane, the tough-minded female executive who blackmails her way to the top position in Pitman's empire – fails to convince and his account of the actual business dealings of Pitman and Cochrane is sketchy in the extreme. The most memorable character is Dr Max, the media don.

And therein lies a clue. If there are few modern business novels, there are many modern academic novels. These range from the ponderous dissection of Cambridge politics in C.P. Snow's *Strangers and Brothers* series to some of the best comic writing in recent fiction – Kingsley Amis's *Lucky Jim*, Malcolm Bradbury's *The History Man*, and Tom Sharpe's *Porterhouse Blue*. These authors write best about worlds they know.

There are many people in academic life with literary talent, and few in the business world. And since in Britain there is an almost complete disjunction between the business world and academic and literary circles, there is an almost complete absence of good business novels.

The US is served better. The best business novel of recent years is not a novel at all – it is *Barbarians at the Gate*, the account by Bryan Burrough and John Helyar of the contested acquisition of RJR Nabisco. And the funniest business novel is, again, by an American and, again, is not a novel, although we must hope that not all of what it describes is true. This is *Liar's Poker*, Michael Lewis's account of his time at Salomon Brothers.

But the finest literary commentator on business is Tom Wolfe, whose second novel, *A Man in Full*, appeared in the autumn. Wolfe does not set out to write a business novel. In *The Bonfire of the Vanities*, he took apart the life of New York, and in his latest work he does the same for Atlanta. Wolfe is, in many respects, the modern, American Charles Dickens.

His characterisation and plot delight in exaggeration. He delves into every aspect of the societies with which he deals – race, class, politics and social habits. But because commerce is central to the lives of both New York and Atlanta, commerce is equally central to these novels.

But Wolfe is concerned to understand business as well as to castigate it. Dickens, or even Trollope, displayed the same British disregard for the mechanics of industry and commerce that is conspicuous in Barnes.

Wolfe, his acerbity directed by careful research, does not. And that is why *The Bonfire of the Vanities* identifies, unerringly, key weaknesses in modern American society – the over-expansion of financial services, excessive emphasis on litigation, and explosive racially based class divisions. And that is why *A Man in Full* would be my book of the year for 1998.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

Why Piano is music to Rome's ears

The image of the city is being enhanced by a new arts complex and amphitheatre, reports **Luciano Chianese**

Stefano Goldberg

Though fond of his music centre, supernatural benediction may be needed to ensure a timely success: the architect Renzo Piano

Italians used to wonder why an architect of Renzo Piano's international standing had never received a commission in Rome. Then, in 1994, he won a competition to design the city's new music performance centre. While Piano is by no means the first Italian talent to be "discovered" in Italy after gaining recognition abroad; the decision to entrust him with this project has a political significance, which matches his undoubted worth.

Changes in national politics have increased the pressure on the authorities to shrug off the chaotic image of Italian public life. Although he is an innovative designer, Piano is known for never letting fine trimmings interfere with functionality. This, together with his personal prestige and knowledge of how things work in Italy, offers a reasonable guarantee that the project will work out as planned. Construction began in 1996, and Piano is confident it will be finished by 2001 at the latest.

Since Italian unification, Rome has tried to equip itself with the infrastructure for a capital city. The transformation has been sporadic, not helped by a succession of governments beset with corruption, scandal and enormous waste. It is ironical that some of the most notable features of 20th century architecture in Rome are a legacy of the Fascist dictatorship.

One thing the Fascist regime failed to do, however, was build a new hall for the Orchestra of the Accademia Nazionale di Santa Cecilia, the city's main concert ensemble. Until the late 1930s, the orchestra used the Augusteo, so named because it was situated on top of Emperor Augustus's mausoleum. But the order to destroy this magnificent hall came from Mussolini, who wanted to showcase the tomb as a symbol of his own imperialist aspirations. The erection of a new hall was supposed to be a matter of a few years – and that was in 1936. Two competitions to design it came to nothing.

However, when the ex-Communist PDS (Democratic Party of the Left) entered government as the largest component in Romano Prodi's coalition, Walter Veltroni, who was minister for cultural heritage as well as deputy prime minister, triggered a series of projects that had been gathering dust on ministerial shelves.

Although not strictly linked to the Holy Year celebrations in the year 2000, the new music performance centre has nonetheless benefited from the desire to have a pristine city for the 40m pilgrims expected to descend on the Italian capital. The complex is situated next to the main traffic artery leading in to Rome from the north, in an area currently occupied by military barracks and the 1960s Olympic village. The authorities want to transform the area into a cultural meeting point.

Whether or not Piano's design was the best of the nine projects submitted, it was easily the most adaptable. This was far-sighted of Piano, who had no problem modifying his project when archaeological ruins – every architect's nightmare when building in Rome – were unearthed during site clearance. Work stopped for a year while the remains of a pre-imperial farmhouse villa were uncovered. Now incorporated into the design, the villa should be an additional attraction at the centre, which will also house a small museum of artefacts recovered during excavation.

Despite this and other complications, costs have turned out to be less than expected. The original budget came to nearly L200bn (£74m). That figure has now been lowered to L150bn.

Piano's design was easily the most adaptable. When archaeological ruins were unearthed – every architect's nightmare when building in Rome – he simply modified his plans

With three halls shaped like giant beetles, seating respectively 2,700, 1,200 and 500, there is every prospect that the *città della musica* will be worthy of a modern capital. The main auditorium will be for symphonic and choral performances, the small one for chamber music. The medium-size hall is to be a multiple-function space, available for conferences as well as concerts.

Although a public institution, the entire complex is expected to be largely self-financing, with shops, restaurants and other privately run activities. There will also be rehearsal rooms and a museum for the Accademia di Santa Cecilia's collection of musical instruments.

The three halls will face on to an open-air amphitheatre seating 3,000, bringing the combined capacity of the centre to a dazzling 7,400. Piano maintains that by positioning the halls between the amphitheatre and the adjacent main road, open-air performances will not be affected by the roar of traffic. The amphitheatre, perhaps the most "Roman" feature of the complex, has been designed as its focal point. Piano says it could be used for ice-skating in winter.

Pierre Boulez and Luciano Berio have collaborated with acoustics specialist Helmut Mueller to ensure that the sound in the performance halls is of the best quality. The main auditorium follows the "vineyard" design pioneered by Hans Scharoun at the Berlin Philharmonie, with seating arranged around the orchestra in tiers. Although the Rome city council had requested that the largest of the three halls should seat 3,000, capacity was reduced when detailed studies revealed that 2,700 was the limit at which the furthest away could hear properly without amplification.

One of the first obstacles facing the project was Piano's choice of wood panelling for the interiors. A government board wanted the design changed, on the grounds that wood was not a traditional Roman building material. However, with support from the mayor, Piano stuck to his choice. The exterior will be sheathed in lead – a very Roman material, and one which quickly acquires an unobtrusive patina through oxidisation.

Of all the Piano-designed projects under construction, including the Potsdamer Platz in Berlin and a sanctuary dedicated to the mystic healer, Padre Pio, at San Giovanni Rotondo in southern Italy, the architect shows a particular fondness for the performance centre in Rome. But sentiment alone will not be enough to get the project finished by next year, when Rome will once again stand at the centre of the Christian world. Despite high hopes and 14-hour days at the site, Piano may need supernatural benediction to ensure success.

Fizzing virtuoso saves Ashton's masterpiece

BALLET

CLEMENT CRISP

La fille mal gardée
Royal Festival Hall, London SE1

Radiant, bold, effortless, his entire frame proclaiming the dignity and power of academic dance: Carlos Acosta as Colas

Nigel Norrington

Frederick Ashton's version of *La fille mal gardée* is a masterpiece, one of the two greatest comedy ballets we have (the other is *Coppélia*.) In its current South Bank season, the Royal Ballet is offering 16 performances of the piece, with varied – very varied – casting. And in an advertising campaign of numbing vulgarity, this balletic jewel is being touted with the idea that it "isn't just a ballet, it's a pantomime." How true of our age of dumbing down of the arts is that "just a ballet". The copywriters missed a trick, though, because there are chickens in the ballet – as well as the drag Widow who features so unappealingly on the posters. Why not advertise it as "not just a ballet, it's a poultry show"?

The mistrust of Ashton's great work, implicit in these barbarisms, was also evident in the casting. In only one of the three performances that I have just seen, did a role receive its full honour – and that by Carlos Acosta, a new Cuban arrival with the company, and a fizzing virtuoso.

Originally, in 1960, the ballet enshrined four stunning principal roles, stunningly done. Ashton responded to the heady bravura, the lightness and grace of Nadia Nerina, when he made Lise for her, as he honoured David Blair's handsome, virile presence and the bold sweep of his dancing for Colas. Alexander Grant, a superb character dancer, was Alain, his delightful sense of humour shadowed by pathos; Stanley Holden, gloriously resourceful in comedy and step, was Simone. I have lately been looking at the unflawed television version of the ballet made by Margaret Dale for the BBC within a year of the ballet's creation. And there, miraculously preserved for posterity, are choreography and interpretations in pristine and irresistible state. There we can see the pastoral sweetness that touches every moment, and the clarity of dance in phrase and feeling which were so curiously lacking in the performances that I have just seen.

I do not know if the current casts have been given this recording to study – not in order to copy their elders and betters, but to illuminate their understanding of the ballet – but to judge by their interpretations, surely not, otherwise the readings would not look so sketchy, so mistimed, so misbegotten.

There is no excuse for Shi-Ning Liu playing Alain like a demon from a Peking opera; nor for the portraits of Simone by Ashley Page and Luke Heydon as a harridan – and the clog-dance all fluster; nor for the absence of dramatic verve in Inaki Uriezaga's Colas; nor for the gifted Belinda Hatley making Lise seem like a hoyden in step and style. Mara Galeazzi made a debut as Lise that gradually warmed to life, but is was Sarah Wildor who alone gave Lise the emotional grace this adorable girl must have, and told of the joys of young love in her ecstatic looks at Bruce Sansom's Colas, even if the brightness of her dances was at moment dulled.

For this is a ballet which has a double narrative, in its dramatic scheme and its pleasure in bravura. Nerina was diamond-bright and had a gazelle's jump – light, effortless, joyous in shape, as we know from each role Ashton made for her – and Blair found a rhythmic drive for every demanding step. To short-change these technical challenges is to minimise the ballet, and only Carlos Acosta has understood this point. (Irek Mukhamedov, one of the best interpreters of Colas, also gives full value to the dance – and his acting of the role is peerless nowadays.)

Acosta comes on stage and we sense at once the excitement of his presence. His acting may be more decent than commanding – though he has a nice way with him – but the dancing is radiant, bold, effortless. Pirouettes spring into life, with impetus richly sustained until the last eloquent turn; the jump is high, lingering; his entire frame proclaims the dignity and power of academic dance – and its expressive potential (you "read" his body, seeing in it the grand play of bone and musculature as movement is given to us).

It is this physical vitality – in each of the principal roles – that needs to be understood by today's casts, quite as much as the subtleties of the drama. It was his willingness to explore the choreography's potential that made Jonathan Howell's view of Alain so interesting. He danced with a welcome brightness, using the text, and finding character in it – less clownish, more vulnerable. I thought it a touching and rewarding view of a difficult role. John Lanchbery, who confected the score in 1960, was most happily on hand to conduct it.

MUSIC *PLG YOUNG ARTISTS NEW YEAR SERIES*

Fresh talent put through its paces

The Park Lane Group's Young Artists New Year Series, which opened on Monday night at the South Bank's Purcell Room, offers fresh performers playing contemporary scores – a uniquely fertile mix, a new music festival in all but name. It runs twice-daily until Friday. Then on Monday the four-day Young Composers' Symposium begins – a chance to hear music written by still younger talent.

The repertoire for the 10 concerts was picked by the Park Lane Group committee with an ear for balanced programmes, from Ives's still-challenging Concord Sonata (1912), to premieres from Huw Watkins, Martyn Harry, and Franz Geysen. (Commissions are absent this year: insufficient funding.) In many cases the performers – all under 30, who won auditions last spring – learned works assigned to them specifically for these concerts.

Gyorgy Ligeti's music is featured four times, with a couple of pieces each by Judith Weir, Graham Fitkin, Elliott Carter, and Gary Carpenter. While the beauty of a series like this is encountering the unexpected, some *anticipated names include* Salvatore Sciarrino, Per Norgard and Thomas Adès.

Yet the balanced programmes led to some drawbacks in performance, when despite the virtuosity of the performer, the music didn't match his range or personality. On Monday, Portuguese percussionist Pedro Carneiro, with impressive coordination on the marimba, winningly conveyed the story-telling aspects of João Pedro Oliveira's "Crystal Pyramids" and Nigel Clarke's "Tangaroa", but not surprisingly had little room to manoeuvre with Roberto Sierra's aptly titled "Bongo-O" or Ferneyhough's drab little "Bone Alphabet", the latter scored for seven tight percussion instruments that "may all be transported in a single suitcase".

For the later concert, the London City Brass Quintet started and finished well with Lutoslawski's "Mini Overture" and the "Commedia IV" by Richard Rodney Bennett, only to sag against the crepuscular foghorns of "Among the Stones" by Stuart Macrae (b.1976), and Justin Conolly's "Cinquepaces". Notable was Rachel McLoughlin's clean horn playing.

Pianist Nicholas Hagon had no such troubles, but then, his four works all shared a similar launch-point: a post-Bartók, modernism-but-light-on-the-abstraction quality. Julian Anderson's Etude No. 3 showed less personality than Gubaidulina's "Chaconne", even through the latter's semi-pastiche character. Halgrimson's jazzy "Homage to Mondrian" set Broadway boogie-woogie as rowdy tone painting. Hagon also gave a strong account of three Ligeti Etudes, which, along with Chopin and Debussy's, define the genre.

Pierre Ruhe

Symposium sponsored by Rio Tinto

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
The Festival of Lithography: celebration of the 200th anniversary of the discovery of lithography. The exhibition consists of works from the collection, including lithographs by Toulouse-Lautrec, works by Cézanne, Manet, and Dutch artists including Van Gogh; to Jan 10

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Mary Cassatt: Modern Woman. 125 paintings, drawings and prints by the only American invited to exhibit in the Impressionist exhibitions in Paris. Closely associated with Degas, Monet and Pisarro, in later life she became a celebrated collector and patron. The show will travel to Boston and Washington later this year; to Jan 10

COLOGNE

OPERA
Oper der Stadt
Tel: 49-221-221 8240
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Jan 6

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: major retrospective comprising 140 paintings, drawings and sculptures, including works borrowed from the artist's family since the exhibition was shown in Stockholm over the summer; to Jan 10

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by the Victorian collector Henry Vaughan in 1900; to Jan 31

HAMBURG

EXHIBITION
Kunsthalle
Kandinsky, Chagall, Malevich and the Russian Avant-Garde: show tracing the art movements between the Russian revolutions of 1905 and 1918, and focusing on attempts by artists to fuse aspects of folk culture with Western modernism. Many of the 100 works on display are on loan from Russian museums; to Jan 10

LONDON

EXHIBITION
Victoria and Albert Museum
Tel: 44-171-938 8500
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. A member of the fin-de-siècle avant-garde, Beardsley left England for Dieppe following Wilde's disastrous libel action and subsequent imprisonment in 1895. The exhibition, which arrives in London after touring in Japan, marks the centenary of Beardsley's tragically early death, aged 25; to Jan 10

THEATRE
Albery
Tel: 44-171-876 1115
Mr Puntila and his man Matti: Kathryn Hunter's production of Brecht's satirical comedy moves from its October run in the Almeida Theatre to the West End. Comic duo Sean Foley and Hamish McColl play the title roles; Jan 6, 7, 8, 9

National Theatre
Tel: 44-171-928 2252
Betrayal: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Calf and Imogen Stubbs; Lyttleton Theatre; Jan 8, 9, 11, 12

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Madama Butterfly: by Puccini. Conducted by Marco Guidarini and directed by Christopher Harlan. With a cast including Yoko Watanabe, Richard Leech and John Atkins; Jan 10, 13

NEW YORK

EXHIBITIONS
Guggenheim Museum SoHo
Tel: 1-212-423 3500
www.guggenheim.org
Premises: Invested Spaces in Visual Arts, Architecture & Design from France, 1958-1998. Exploration of the different ways in which artists have engaged with space. Display ranges across installation, film, video, photography and architecture. Includes works by Yves Klein, Le Corbusier, Louise Bourgeois and Sophie Calle; to Jan 10

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
The Nature of Islamic Ornament, Part II: Vegetal Patterns. Second in a four-part series on Islamic ornament from the 9th to the 18th century. Includes rare brocades and carpets; to Jan 10

Pierpont Morgan Library
Tel: 1-212-685 0008
Master Drawings from The State Hermitage Museum, St. Petersburg, and The Pushkin State Museum of Fine Arts, Moscow. 120 European drawings dating from the 15th to the 20th centuries, some of which have never before been exhibited outside Russia. Includes works by Rembrandt and Dürer, with particular emphasis on the modernists Matisse and Picasso; to Jan 8

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalski and Bo Skovhus; Jan 6, 9

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
● Orchestre de Paris: conducted by Alan Gilbert in works by Ravel, Dutilleux and Schumann; Jan 6, 7
● Orchestre de Paris: conducted by Lorin Maazel in works by Weber, Debussy, Schubert and Ravel; Jan 13

EXHIBITION
Grand Palais
Tel: 33-1-4413 1730
Lorenzo Lotto: Rediscovered Master of the Renaissance. 50 paintings, many of them on loan from churches and museums in Italy. The exhibition has been seen in Washington and Bergamo; to Jan 11

PRAGUE

THEATRE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Servant of Two Masters: by Carlo Goldoni. Directed by Ivan Rajmont; Jan 11

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Up to the bare bones: Human remains in museums. An estimated hundred thousand human beings find their last resting place in Dutch museums, whether in the form of mummies, skulls, skeletons, reliquaries or otherwise. This exhibition is the first to address this phenomenon directly, presenting exhibits from medical, sacral, ethnographical and archaeological collections; to Jan 10

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● New York Philharmonic: conducted by Kurt Masur in works by R. Strauss and Tchaikovsky; Jan 11
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mendelssohn, Barber and Mahler. With violin soloist Gil Shaham; Jan 6, 7, 8, 9, 10

WASHINGTON

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
Die Entführung aus dem Serail: by Mozart. L.A. Opera production by Michael Hampe, conducted here by Heinz Frick; Eisenhower Theater; Jan 7, 9, 11, 13

■ TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● Business/Market Reports:
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

Europe's challenge

The survival of the single currency depends in the long run on the creation of a legitimate federal democracy

The movement for European unity must be a positive force, deriving its strength from our sense of common spiritual values ... It is said with some truth that this involves some sacrifice or merger of national sovereignty. I prefer to regard it as the gradual assumption by all the nations concerned of that larger sovereignty, which alone can protect their diverse and distinctive customs and characteristics. Winston Churchill, 1948.

Europe was the dominant influence on the second millennium. This was not what any intelligent observer would have expected 1,000 years ago. Of the civilisations of Eurasia, Christian Europe was, on all measures, much the least advanced. Yet over the succeeding centuries western Europe and its colonies transformed the entire world. It did so largely because of the rivalries among its states.

Now, however, Europe is seized by a millenarian dream: unity. Of the many creeds and visions that have stirred Europeans over the centuries – from Christian dogma to nationalism, racism and revolutionary socialism – this must be much the most benign and attractive.

For the British, the second world war was a vindication. For Germans, French and Italians, it represented defeat, disaster and disgrace. Postrate and discredited, the old continent of internal rivalry and nationalism had become anathema. The new answers were to be democracy and unity. Later, these were spread across the continent, first south and, more recently, east.

The chosen path towards the objective was, however, functional, not constitutional: Europe was to be integrated politically, by being integrated economically. Moreover, the journey was to be taken one practical step at a time. These were brilliantly successful tactics. But they were just that – tactics.

British protagonists of participation in the grand European project have, too often, pretended that the economic means were also the ends. Even now proponents of British adoption of the euro pretend this is an economic decision, to be taken on the basis of a conventional calculation of national economic interest. This is dishonest nonsense. The goal has never been strictly economic. It has always been to secure an irrevocable political integration of Europe's states and peoples.

Now, with the launch of the euro, Europe has reached the end of its functional path: economic integration per se has become a matter of dotting "i"s and crossing "t"s. The continent must return, willy-nilly, to the political questions left aside at the beginning of its journey, half a century ago.

For the proposition that politics – or, more precisely, the constitution – is the fundamental internal challenge confronting the European Union, two cogent arguments can be advanced: first, political integration is at the least a natural corollary of monetary union; second and more important, the EU's current political structure is intolerable to anybody who believes in liberal democracy.

Some have argued that, like the gold standard, the birth of a single European currency does not entail deeper political integration. There are several strong reasons for rejecting that view out of hand.

First, if a country broke the rules of the gold standard, it was forced off gold – or forced others off it. In a monetary union, the costs of serious misbehaviour are borne by all.

Second, the political demands placed on economic policy are far greater than they were a century ago. Policymakers are expected to manage demand and ensure sensible conformity between fiscal and monetary policies.

Third, the new euro-zone is destined to be a great economic power. Others will expect it to put forward clear and intellectually coherent policies and then implement them.

Fourth, the euro will, like a wedding ring, be a powerful symbol of a consummated marriage. It will remind people and governments that they are linked to one another.

Fifth, the monetary union has sharpened questions about the harmonisation of policies. Already, to take just one example, tax has become a central topic in the European debate.

Finally, political integration was, in any case, one of the chief purposes of monetary union. Proponents, notably in Germany, have never concealed this aim. Indeed, it is only for its achievement that Germans could have abandoned a currency as potent and beloved as the D-Mark.

It is almost inconceivable therefore that political integration can halt where it is. But further political development is also desirable, for the simple reason that the EU's present structure is intolerable. Cynics point out that if a country organised like the EU were to apply for membership, it would be rejected because it is not a democracy. They are right.

Enormous power is concentrated in the hands of three unelected bureaucracies: the Commission, the Court of Justice and now the European Central Bank. The Commission has a monopoly of legislative initiative; the Court has wide discretion in interpreting the goals of treaties; and the ECB is able to decide both its goals and instruments without any let or hindrance.

Worse, as Enrique Barón – a Spanish former president of the European parliament – remarks in one of the better pro-EU books to appear in recent years: "The principal historical consequence of Community integration has been the transfer of power from the legislature to the executive of each country; rather than from the national capital to Brussels, with the Council of Ministers exercising the legislative power behind closed doors and without bearing collective responsibility as a body."*

European integration has, in short, been a benevolent elite plot in which a cartel of executives has operated alongside unelected bureaucrats to secure the economic integration of the continent. But what has by now emerged is a proto-federation without many of the requirements of a democracy. European democracy cannot long be secured by a structure that is itself undemocratic.

Remedying this defect is Europe's biggest internal task. It is one that the monetary union merely makes more pressing. Unfortunately, the EU faces more obstacles to entrenchment of a democratic political order than any existing democracy: Switzerland is far smaller; the US has a single language and political culture; Canada's two linguistic commmities were never sovereign states; and the UK, though containing two historic states, at least shares a language.

The big gamble Europe has made is on its ability to establish a living and successful federal democracy in a diverse continent of many languages, cultures and historical traditions. Moreover, this must be achieved without sacrificing the principal historic motor of European achievement: competition among the states.

What has been achieved over the past half century is extraordinary. But whether the great gamble of unification comes off ultimately depends on how far Europe can turn itself into a true federal democracy. That is what it must become. It cannot remain what it now is.

* *Enrique Barón, Europe at the Dawn of the Millennium (Macmillan, 1997)*

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LETTERS TO THE EDITOR

Time for UK government to come out in favour of joining the euro

From Mr Giles Radice, MP.

Sir, In your excellent leader ("Taking a lead from the euro", January 4) on the day that the euro was so successfully traded on world markets for the first time, you rightly say that its birth "is an important event in European history" – arguably the most important event on the European continent since the establishment of the Common Market in 1957.

The tragedy is that, once again, a great European project, that will affect British people whether we like it or not, will go ahead without the UK.

As many business leaders have been warning (for example, the statement published in your paper on November 23), staying out means losing out.

I note that Tim Melville-Ross, director-general of the Institute of Directors, still claims that his members are opposed to joining the euro (FT, January 4).

Yet there has never been an impartial survey of his 47,000 members and a recent Gallup study of British directors showed 58 per cent in favour of joining the euro in principle.

They understand, even if Mr Melville-Ross does not, that outside, British business will not benefit from the exchange rate and monetary stability, the price transparency and the competitive advantage it could enjoy within the euro.

There is another disadvantage. Outside the single currency, we are outside the room when our European neighbours discuss vital matters of economic and monetary policy. The costs of self-imposed exclusion will grow the longer Britain hesitates on the brink.

It is time for the government to come out publicly in favour of membership and to set a target date for entry.

An end to uncertainty about the UK's position would be a huge boost for business and would allow us to retain the confidence of international investors. And we could finally begin the debate that is vital to persuade British people that we should join.

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EU and US have an important role to play in beating organised crime in the Balkans

From Professor Wolfgang Danspeckgruber.

Sir, John Lloyd ("Freedom to corrupt", December 19/20) emphasised the costly impact of "cyber crime" and blames Russian criminal organisations. The interference of criminals in everyday life affects all strata of the population in the Balkans and is a threatening and costly challenge for the regional and international community. It is caused by the devastating impact of the recent war in the former Yugoslavia, by the biting effects of international sanctions on national economies and regional trade and by the instabilities in emerging post-communist societies.

Many citizens in the region of the former Yugoslavia and beyond are confronted with a painful dilemma: to either barely survive through legal activity or to make a (perhaps very good) living with a varying degree of involvement in illegal endeavours. They can profit either from the (legal) production and distribution of an illegal product or from the illegal production and distribution of a legal product or service.

The proceeds of such illegal activities have now become a significant part of personal incomes and of the regional gross domestic product. They comprise also corruption and co-operation by governmental and law and order personnel. Their meagre income and inappropriate training and equipment make them easy prey for better organised and equipped criminals.

In the region of the former Yugoslavia and beyond, local authorities need assistance and encouragement to eliminate the scope and influence of organised crime and enforce a respectable legal attitude to everyday commercial operations, while European and US law enforcement organisations have to increase their co-operation. Otherwise we will be confronted with the staggering costs of international assistance and the threat of increasing infestation of western societies by organised crime.

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Nuclear fallout

Frederick Stüdemann on the dispute over energy policy that threatens to split Germany's red-green coalition government

Nuclear waste from atomic power stations has a half-life of 10,000 years or more. Against this timespan, the row within the German government over whether to decommission the country's 19 nuclear reactors within a matter of years or over several decades appears as trivial as the blinking of an eye.

Yet the precise timetable and terms of decommissioning have sparked the most serious row within Germany's red-green coalition since it came to power in October. Next week, Chancellor Gerhard Schröder's Social Democrats (SPD) and their Green partners meet in Berlin for talks aimed at preventing a disagreement over energy policy becoming grounds for divorce.

For the Greens, a movement born out of the anti-nuclear demonstrations of the 1970s and 1980s, the need to phase out nuclear energy is an article of faith; it was the principal condition for joining Mr Schröder's government.

Energy policy was therefore always going to be a point of tension between the coalition partners. But nobody could have guessed how rapidly the fault-lines would be exposed.

The fallout, however, goes far beyond domestic politics.

German energy companies have important contracts to process the nuclear waste of French and British power plants. The contracts are guaranteed by the German government and some are understood to last well into the first decade of the next century.

The radical changes planned for Germany's energy policy therefore threaten to damage relations with important European partners. It could prove to be an unwelcome diversion for Mr Schröder as he begins Germany's presidency of the EU.

The dispute between the coalition partners involves differing interpretations of the planned two-stage process for scrapping nuclear energy.

First, the country's nuclear energy law was to be revised and a legal framework established for withdrawal. This was to be followed by "consensus talks" between government and industry, due to start later this month, to agree a timetable for decommissioning nuclear reactors.

Jürgen Trittin, the Green environment minister, interpreted the two-stage plan as a licence to rewrite Germany's nuclear energy law. In his draft bill, which Mr Trittin wants to present to parliament within the next month, the environment minister not only underscores Germany's formal commitment to abandoning nuclear energy but also seeks to enshrine in law an end to the reprocessing of spent nuclear fuel.

Mr Trittin also wants to increase the compulsory insurance cover for nuclear reactors ten-fold, from DM500m (£176m) to DM5bn, legislate for tighter security checks, and shift the burden of proof for possible health risks to plant operators. Finally, he wants to tax any reserves operators set aside to cover the cost of decommissioning nuclear plants.

Prompted by the Greens, the government has committed itself to a reduction in energy consumption. To achieve this, it plans to introduce a new "eco tax" on energy use in April, the proceeds of which will be used to finance social security spending.

German industrialists strongly object to taxes that raise their energy costs. "This is proving a further turn-off for the whole investment community," says one London-based energy analyst.

Mr Trittin's proposals have also outraged the nuclear industry. It says the environment minister wants to tie its hands before it enters into decommissioning talks with the government. The industry has issued dire warnings of the financial costs and job losses that would result from the environment ministers plans. It has also begun to enlist the support of its allies in the German cabinet.

The most prominent of these is Werner Müller, economics minister, who is not a member of either governing party and was formerly an executive at Veba, one of the country's big energy companies.

Mr Müller was clearly annoyed at being excluded from the revision of the nuclear energy law, and made clear that he believed Mr Trittin's proposals were too hasty. They also risked damaging relations with two of Germany's key European partners, he said.

The economics minister has Mr Schröder's backing.

Nuclear fission: A worker at German atomic plant protests about the threat to jobs posed by the government's energy policy AP

The chancellor is already furious with Mr Trittin for not informing him of the decision to sack the members of Germany's nuclear safety commission before Christmas. Mr Schröder has warned the Greens that they run the risk of wrecking the understanding on which the coalition was based.

The chancellor is not a natural ally of the Greens. He agrees with the principle of phasing out nuclear power, but it is by no means one of his key objectives. Far more important is the goal of boosting employment and Germany's attractiveness as an investment location through a tripartite alliance for jobs between government, unions and employers.

Mr Schröder is particularly concerned about the implications of a sudden exit from nuclear energy. He worries about its effect on jobs; the government may face compensation claims from the operators of nuclear reactors for the loss of domestic business. Furthermore, if the reprocessing contracts with Cogema of France and British Nuclear Fuels are broken, the government could be liable to a further wave of claims for damages.

Analysts estimate the nuclear reprocessing contracts are worth more than DM3bn a year.

When Mr Schröder attended his first Franco-German summit in November, French concern over Bonn's changing stance on nuclear energy was made abundantly clear. In response, Mr Schröder offered to set up a joint working group, to be staffed on the German side from the chancellor's office.

Mr Schröder's sparring with Mr Trittin has a hint of deja vu about it.

In the early 1990s, the two men worked together in the notoriously volatile government of Lower Saxony. Mr Schröder was then the state premier and, then as now, the Greens were his coalition partners. There were many high-profile clashes over environmental issues. Mostly, it was Mr Schröder who got his way. Eventually, though, Mr Schröder found it easier to govern Lower Saxony alone.

هكذا من الأصل

هكذا امن الاعمال

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday January 6 1999

Trying times for President Clinton

Washington is returning to work, and to the threat of political paralysis. The 106th Congress convenes today. On January 18 Bill Clinton is due to deliver his seventh address on the State of the Union. But, before all else, America's politicians must decide whether to banish the ghost of Monica Lewinsky.

As Mr Clinton confronts the prospect of an imminent trial in the Senate, we are little the wiser about the future of his presidency. True, some of the ugly partisan rancour that accompanied the pre-Christmas impeachment vote in the House of Representatives has lifted. The danger, though, is that it could easily be rekindled in a protracted and ultimately inconclusive struggle on the floor of the Senate.

What is needed now is a speedy agreement between Republicans and Democrats on the conduct of Mr Clinton's trial – and a similar consensus that the process be as expeditious as fairness allows.

The pre-Christmas vote in the House demands that due process be followed in the Senate. That in turn requires a public airing of the two articles of impeachment – perjury and obstruction of justice – laid against Mr Clinton. It also presumes a considered assessment by the Senate of whether, if proved, these misdemeanours are sufficiently grave to warrant his removal from office.

The Senate, though, has ample scope to set its own rules. The Constitution prescribes only the broad framework for a trial. Within that, the format is decided by the Senate. And that institution cannot be blind to political reality. Mr Clinton can be removed only by a two-thirds majority. Barring further evidence of presidential wrongdoing that majority does not exist.

It is here that, as long as Mr Clinton shows suitable contrition, the bipartisan proposal under discussion in recent days offers an honourable compromise. This would provide for an abbreviated hearing lasting a few days followed by a "test" vote. The purpose would be to see whether, even if the charges against Mr Clinton were proven, there was a sufficient majority to convict him. Once this vote was taken, the Senate would decide whether to press on with a full trial or, more likely, opt for a motion of censure.

The attraction is obvious. Neither Mr Clinton, nor Republicans, nor, and this above all, the US political process would be served by an acrimonious trial destined to end in acquittal.

More importantly, an early vote would see the Senate address from the outset the core issue in this sorry saga. In the end, it is about proportionality. Mr Clinton lied about his relationship with Ms Lewinsky. But is that sufficient cause to depose a president?

Bonn's dilemma

Ensuring a smooth launch of the euro is no doubt the first priority for the new German government, as it takes over the presidency of the European Union for the next six months. But it could turn out to be the least of its problems. Getting agreement on the financial package known as Agenda 2000 that includes both new farm reforms and a deal on national contributions to the EU budget is likely to prove a much tougher nut to crack.

The trouble for Bonn is that Germany is a big part of the problem, as well as being required to find the solution while it occupies the EU chair. For the new government, like the old, is calling for a cut in its hefty €11bn net contribution to the Brussels budget – a drain on the German exchequer far larger than that on any other member state. If Germany pays less, then all the other member states will have to pay more than they might have done. For a country like Spain, with per capita gross domestic product well below Germany's, that is hard to swallow.

In previous difficult EU budget negotiations, when deadlock loomed, Germany simply agreed to pay more. This time, that solution is no longer on the table. It is not just that Chancellor Schröder lacks the strategic European vision of his predecessor, Helmut Kohl. Mr Kohl's government began the battle to cut the net contribution, and Mr Schröder cannot be seen to be less tough, especially at a time of continuing budget stringency at home.

But Germany's position is also complicated by its own attitude to farm spending, which still consumes almost 50 per cent of the Brussels budget. It is the most important factor distorting the distribution of EU expenditure, in favour of those countries with big farm sectors. Yet every time reform of the common agricultural policy has been attempted, Germany has been among the fiercest opponents.

The new coalition insists that on that score, things will at last be different. Both Social Democrats and Greens are inclined to cut back farm subsidies, and the Bavarian farm lobby is no longer represented in government. But it may not be that simple. Mr Schröder's own home state of Lower Saxony also boasts an important farming industry, and that is where his agriculture minister hails from.

If Germany is to broker a deal on future financing, then it must have a coherent EU policy itself. That certainly means a willingness to see real cuts in farm subsidies. Simply switching such subsidies from the Brussels budget to national spending is not enough, even if it does help reduce Germany's net contribution. If Mr Schröder hopes to persuade other member states to tighten their belts, he will also have to compromise.

Need for cut

The birth of the euro as a robust currency throws the UK's high official interest rates into a new perspective. Why is the Bank of England's repo rate (at 6¼ per cent) still more than twice the rate now administered by the European Central Bank?

Although the latest survey of UK manufacturers shows a slight improvement in orders, expectations are still depressed under the weight of high interest rates and a persistently strong pound. Unemployment has started to rise and most forecasters predict that growth for the whole economy will fall well below its historic trend this year.

Meanwhile a combination of the high value of sterling and falling world commodity prices has strongly offset domestically generated inflation. The Treasury's latest report on the consensus of outside forecasts suggests that by the end of this year, inflation will be significantly below the Government's target of 2½ per cent.

Such were the arguments that persuaded the Bank's Monetary Policy Committee to cut its rate by ½ percentage point to 6¼ per cent at its last meeting in December. Indeed, its discussion then centred on whether to make a larger cut.

Apart from comparisons with the euro-zone and the weaker outlook for the UK and the world economies since last year's financial crisis, there are other reasons for thinking UK rates remain too high.

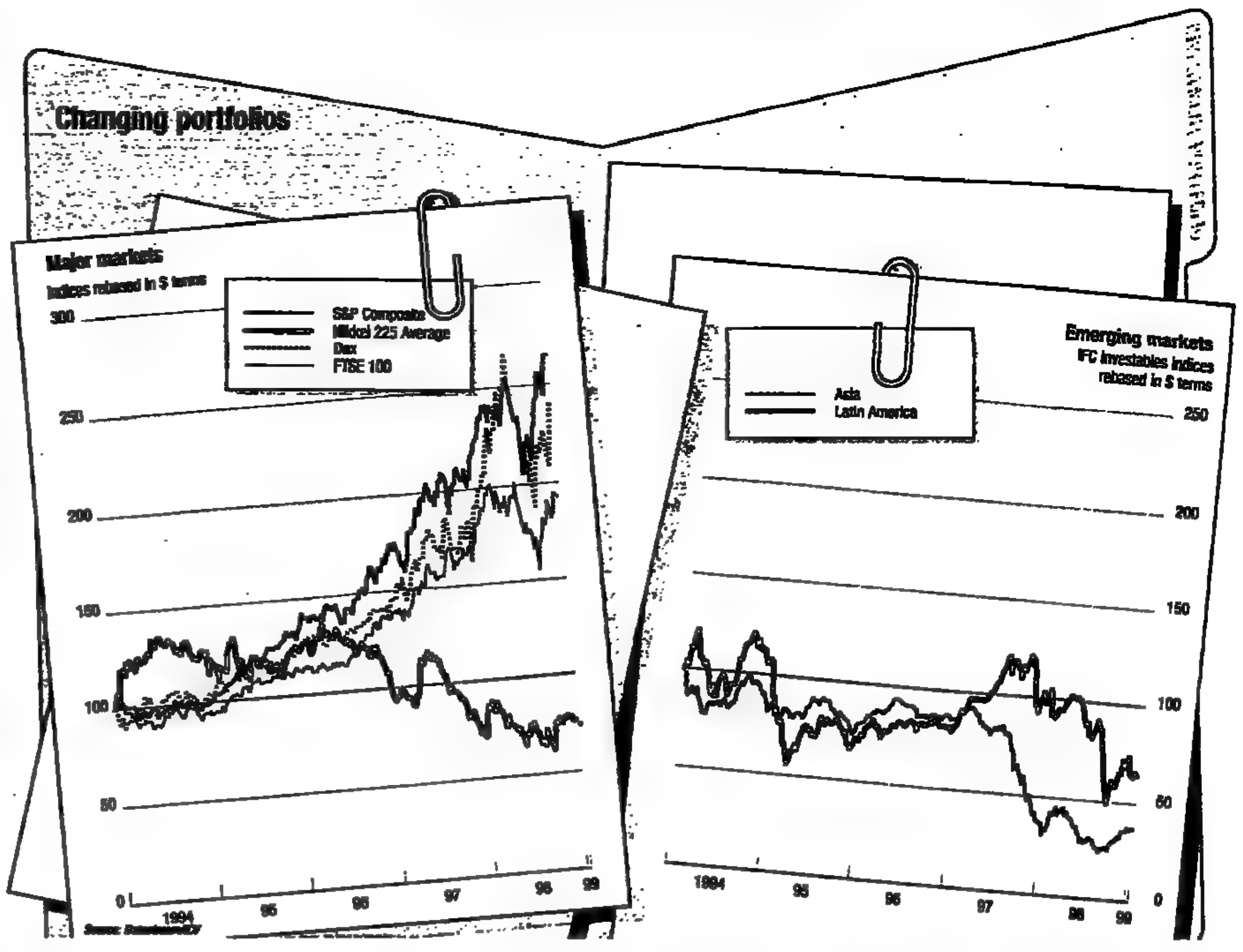
According to the Bank's estimate, the long-term real rate of interest on risk-free assets is between 2 per cent and 4 per cent. If inflation is to be held at 2½ per cent, this would imply that a "neutral" official interest rate might be about 5½ per cent. JP Morgan, the US investment bank, estimates from data going back to 1830 that a "neutral" official rate could be even less, at about 2 per cent in real terms. This would imply that UK rates should stabilise at about 4½ per cent. In comparison with the ECB's current rate of 3 per cent, or the US Federal Reserve's rate of 4¾ per cent, such estimates do not look implausible.

The question for the MPC at its meeting today and tomorrow is therefore whether there is any risk that a further move towards a more neutral stance might stoke up the economy too much this year or next. The inflationary effects, particularly if sterling were to collapse, might then be worrying. But there are risks on the other side, for example from a collapse in asset prices or a revival of the global financial crisis.

For the present, the risks of rising unemployment and an undershoot of inflation predominate. The MPC should continue on its downward path.

New world disorder

After last year's turmoil, the portfolio investment game has changed, says **John Plender**. The old rules for diversification and optimal allocation of resources no longer apply



Source: Datastream/ICV

Since last July the markets have melted down and melted back up again. But in the intervening period, the rules of the portfolio investment game and of global finance have changed irrevocably. As the dust clears after the twin shocks of the Russian default and the rescue of John Meriwether's Long-Term Capital Management hedge fund, what conclusions can be drawn about the new financial landscape?

Before the Asian crisis, it was still just about possible for a pension fund manager to believe in an orderly financial world where unrestricted capital flows promoted an efficient allocation of global resources. The theory of international diversification held that investors could reduce portfolio risk by exporting capital to emerging markets. The international bail-out of Mexico in 1995 provided a practical prop to the academic theory.

Belief in this orderly world was shattered first by the sheer size of the outflows of capital from the troubled Asian economies. In the extreme case of Indonesia the swing amounted to 18 per cent of gross domestic product. This volatility inflicted savage deflation on the countries concerned.

Then the Russian default on August 17 dispelled the notion that there was a reliable safety net for investors in emerging markets. The credibility of the International Monetary Fund was dented. In the resulting turmoil, which contributed to LTCM's woes, emerging markets failed to demonstrate the risk-reducing properties promised by academic theorists. Contagion ruled and markets moved in lock-step.

The first casualty of these upheavals has thus been the theory of international diversification, which was shown definitively, though not for the first time, to be useless in a bear market.

As the US economist Henry Kaufman puts it, technology and communication networks have reached the point where "we're all the same, we all talk to each other and we all have the same view – the arithmetic that purportedly proves that diversification lowers portfolio risk is based on assumptions that go out the window in periods of contagion".

Moreover, academics have usually expounded the theory exclusively in terms of correlation coefficients across markets, and of market risk and return, without reference to the wider political, economic or corporate governance context.

Yet the wider context goes a long way to explain why risk premiums in emerging markets remain high. At the same time, the correlation between the behaviour of emerging markets and their developed world counterparts is now close to the highest recorded.

Especially significant has been the tendency to impose capital controls or intervene directly in stock markets, as in Malaysia and Hong Kong. The political naivety of assuming that Asians would make an uncomplaining contribution to western pensions has been exposed.

None of this will put an end to global investing. But in future, a more pragmatic and politically informed pursuit of value in overseas markets seems likely.

That said, the more striking feature of the past 12 months has been the extent to which the authorities in the developed world have been bent on rigging markets.

The most blatant case is Japan where the public sector has, until recently, bought about a third of all government bond issues. An excess of supply, combined with a reduced ability by the public sector to absorb more bonds, has burst a bubble and turned trading in the Japanese government's IOUs into one of the world's most dangerous pursuits.

Such a market turning point, especially in the world's largest creditor country, could well have a disruptive impact on global capital flows in coming months.

The more important case of market fixing, however, concerns the US Federal Reserve. To confront a potential systemic threat posed by the troubled LTCM hedge fund, the Fed sponsored a rescue; and it dealt with the wider financial strains by reducing interest rates no less than three times. Hence the equity market "melt up".

The Fed could argue that non-intervention might have had catastrophic consequences. After the Russian default, investment demand for the securities of all but the best names in the market completely dried up. Dealers stepped back from making markets and credit spreads widened dramatically across the globe. There was an unprecedented dash for liquidity.

Yet market intervention carries risks. If central bankers underpin markets when they fall, but fail to restrain them when they bubble, there is a destabilising asymmetry. Investors assume the existence of a continuing safety net and take on greater speculative risks, leading to more bubbles.

The paradox, as Andrew Smithers of investment advisers Smithers & Co points out, is that while central bankers worry about the risks of over-valued markets, stockbrokers think the overvaluation is justified by lack of risk. Both cannot be right; and history is on the side of the central bankers. Yet they remain reluctant to prick bubbles.

This is not the only sense in which markets have become a potential source of instability. In the US the stock market is now a crucial determinant of growth in the real economy. The decisions of American consumers, who are also the chief locomotive for global demand, are driven by wealth effects: unrealised capital gains provide the confidence and collateral for borrowing and spending. It follows that US equities cannot stand still; they have to go on rising if the US economy is not to stall. Any stalling would rebound on the markets.

Meanwhile, financial crises are changing in character, as well as becoming more complex.

A conventional financial crisis stems from over-exuberant lending by banks, often on the basis of inflated property collateral and inadequate appraisal of future cash flow. But banking activity is increasingly moving to the markets. Over the past 10 years, for example, non-financial corporate borrowers in the US raised a net $785bn in the form of bonds – three times the amount such companies borrowed from banks.

Collapses in securities markets are, at the same time, posing greater and more complex systemic threats. The 1987 stock market crash required an immediate monetary policy response. The Mexican bond market crisis in 1994 prompted a US-led international rescue. And the global turmoil last year, covering a range of financial markets, has brought forth monetary easing in the US and Europe.

This is not to say that the conventional property-based banking crisis has gone away. It still afflicts the troubled Asian economies: in so far as the developed world's banks have lent there, they have suffered a property bust at one remove. Nor, if monetary policy remains loose in the US, is it difficult to imagine how bankerly excesses in property could bring an end to this long business cycle.

Yet the securities markets are set, over the long run, to become the more important focus of financial crises. And, to quote Mr Kaufman again, such crises pose difficulties for central bankers, who are more comfortable dealing with straightforward bank lending than a hotch-potch of instruments, markets, trading methods and global linkages.

Everything in markets moves more quickly than in banking. And volatility has been greatly increased by the growing number of leveraged investors – banks that engage in proprietary trading and hedge funds that borrow to the hilt to speculate as well as hedge.

At the end of last June, securities accounted for 41 per cent of the cross-border claims of developed world banks on non-banks. Almost 70 per cent of the $101bn growth of such claims in the second quarter of 1998 took the form of securities deals.

As the Bank for International Settlements remarks in its quarterly review, this "might impair the ability of banks to fulfil their traditional role of stabilising financial flows in periods of financial volatility or liquidity contraction".

Part of the problem is that the regulatory system forces banks to contribute to market volatility. Indeed, the awesome nature of the markets' slide last year revealed what can happen when the world's biggest banks are forced to unwind their proprietary trading positions.

For when volatility increases, modern risk control requires banks to mark to market: that is, write down securities and trading positions to market values. They are then forced, under the Basle capital adequacy regime, to reduce their balance sheet leverage. As David Folkerts-Landau and Peter Garber of Deutsche Bank have put it, modern risk control methods "are liquidity hungry". This leads to contagion, as more liquid securities are sold to cope with capital strains.

The strain may be exacerbated where credit rating agencies belatedly cut ratings. Indexed funds then dump securities, reinforcing the pro-cyclical bias of the system. And, of course, a market slide causes banks to call in loans from hedge funds as collateral shrinks.

The overall message is that liberalisation has unleashed exceptionally powerful and unpredictable forces into the global markets. And the regulatory attempt to control these forces has created perverse unforeseen effects.

But amid the instability, it is clear that prompt action by the Fed has put off the day of reckoning for global equities. The snag is that the Fed's actions may have ensured more market instability in future.

The arrival of the euro could add to the difficulties. It is not hard to foresee circumstances, for example, where a dollar slide against the euro could precipitate a Wall Street collapse. Nor is it clear that equity market valuations have fully adjusted from a disinflationary world to one in which there is a growing risk of genuine deflation.

What is clear is that in confronting these market strains, the world economy in 1999 will be unusually dependent on good policy from central bankers and politicians. They will need more than a little luck to see us safely through.

OBSERVER

Drabinsky back in the running

Garth Drabinsky may be a rank outsider following the collapse of his theatre company Livent, but the flamboyant Canadian is still a contender. The impresario has just been hired to help develop an entertainment complex at the famous Santa Anita race track near Los Angeles.

The man backing Drabinsky is Frank Stronach, the Austrian-born machinist who built the Canadian automotive components giant Magna International. While Magna has been hugely profitable, Stronach is evidently tiring of making bumpers and seat belts. Last year he bought Santa Anita and 300 acres of land for $126m. Now he plans, with Drabinsky as a consultant, to turn it into an entertainment mecca.

While Drabinsky faces awkward questions about his part in Livent's collapse, he's shown himself to be a tenacious fighter. Before Livent, he built Cineplex Odeon into a top cinema chain – until he was forced out by shareholders.

The Stronach camp certainly retains faith in the man who went on to create North America's top live theatre company. Magna's corporate development chief Graham Orr describes Drabinsky as "an extremely creative mind" – just the kind to have around if you're planning an entertainment empire.

Stronach has already said that he plans to spin off a separate non-automotive business that will, among other things, look at building a theme park and race track near Vienna and develop a European sports and gambling television channel. What odds on the start of another Drabinsky comeback?

Ring my Bell

Chris Gent, the boss of UK mobile phone company Vodafone, is a cricket fanatic. But the man who's been watching England's dismal Ashes defeat against Australia has also been keeping his eye on the ball back home. Gent is trying to snatch US group AirTouch Communications from under Bell Atlantic's nose; success would cement his own reputation as a big hitter in world telecommunications.

Since Gent took up the chief executive's mantle in 1996, shareholders have been as impressed with his leadership as with Vodafone's famously lavish hospitality. The shares have quadrupled since the end of 1996. Gent, with his bright ideas and braces to match, has been given much of the credit.

This isn't the first time Vodafone has dialled AirTouch's number. The pair tried to get together 18 months ago, but couldn't agree how to make a match. Bell Atlantic's interest has made them think again. Now Gent will be hoping for better luck than England's forlorn cricketers.

Dates of wrath

If you're planning to visit the UK during 1999, first get hold of the Awareness Campaign Register. This handy little document should help you avoid turning up at Heathrow to find National Depression Day – or worse – in full swing.

With almost 400 campaigns taking place in the UK over the coming year, many of them attached to fund-raising initiatives, the register's organisers reckon it's about time some order was injected into chaos. At present, despite strenuous efforts to avoid campaigns bumping into each other, they can clash; the public gets confused, irritated and eventually apathetic.

The idea is that everyone gets their act together and everyone gets their day or week of fame. For those who've already booked a room at the Dorchester, here are a few campaigns already on the list. Next week sees Winter Gourmet Rhubarb Day, the end of the month brings National Gargling Week and National Doughnut Day falls towards the end of February.

On March 5 you can participate in World Phone In Sick Day and Real Nappy Week follows a couple of weeks later. July brings National Kissing Day but Observer confidently predicts plenty of monkeying around in early November – come Orang-utan Awareness Week.

Monkey business

On the subject of anthropoid apes, you've got to feel for Monika and Rabu, the orang-utans in St Petersburg zoo. As well as having to put up with the chilly Russian winter – none too comfy despite those shaggy red coats – the couple have also been subjected to the modern menace of television.

A TV was rigged up outside Monika and Rabu's cage after they started to neglect their baby Ramon. All part of a plan to teach them how to be good parents by showing videos of model moms and pops at work. The idea seemed to be working – until Rabu became so engrossed in the tube that he started to ignore his mate. She, in turn, fell into a depressed state.

Zoo director Ivan Korneyev says the keepers now plan to reduce the amount of time Ramon spends in front of the box to keep the family together – though he insists that television is the way forward for all three orang-utans. "Our plan for Monika's education includes watching videos demonstrating natural monkey family life," he says. And Sesame Street for the neglected nipper?

The Financial Times

100 years ago

The Telephone Scandal
The Select Committee of the House of Commons on Telephones has concluded that the existing service is not of benefit to the country, and is not likely to be "as long as the present practical monopoly in the hands of a private company shall continue." It is necessary to get these facts well home to appreciate the sublime audacity of the National Telephone Company as shown in the Bill in which it proposes to dissolve the present Company and re-incorporate it. In other words Parliament is being asked to sanction a monopoly which its own Committee denounced as contrary to the interests of the country.

50 years ago

Truman's New Deal
President Truman outlined a radical programme of social reform and greatly increased economic controls in his "State of the Nation" message to Congress yesterday. His recommendations go far beyond even the "New Deal" programme of the late President Roosevelt. The President proposes increased taxation to fall mainly on corporate profits and the middle and upper income groups.

FINANCIAL TIMES
WEDNESDAY JANUARY 6 1999

THE LEX COLUMN

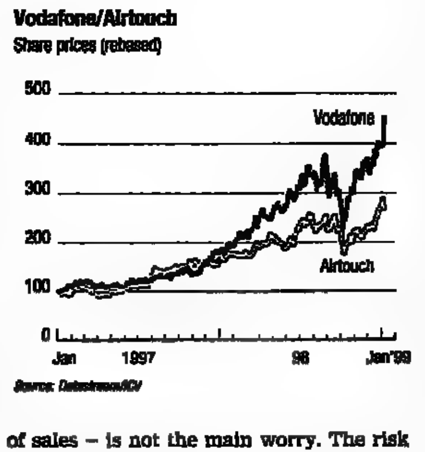
Mobile combat

Vodafone's attempt to muscle in on Bell Atlantic's takeover of AirTouch should be taken seriously. Vodafone and AirTouch would form the first global cellular phone group, with coverage in 23 countries spread across five continents. The combination would become the first choice for new licences and partnerships. And the fit is excellent, particularly in Europe where Vodafone's northern strength and AirTouch's southern presence would create a seamless footprint. They compete only in Germany, where the UK group would like to shed its involvement in Veba's lagging E-Plus franchise and join AirTouch and Mannesmann's successful D-2. The lack of overlap means there would be few hard cost savings. But the two would make much of softer synergies from cross-selling and joint technological development.

Vodafone's other advantage is its storming share price. This looks like a replay of the BT/WorldCom bid battle for MCI, except this time the UK company has the high-octane stock: Vodafone is trading on 25 times enterprise value to estimated 1999 earnings before interest, tax, depreciation and amortisation compared with 16 times for AirTouch. By using stock, Vodafone can thus offer AirTouch holders a juicy premium. Its opening shot, at around $55bn, puts Bell Atlantic's proposed $45bn to shame.

Vodafone is also surely aware that if it does not succeed as a predator, it may become a target, as the last big independent mobile phone group. That can only strengthen its ardour. And with other bidders sniffing around, the battle for AirTouch is just beginning.

Vodafone/Airtouch
Share prices (rebased)



Source: Datastream/ICV

SAP

How a company as conservative as SAP allowed its salesforce to get over-excited about prospects in Japan, of all places, is baffling. The DM200m shortfall in software sales means 1998 pre-tax profits will be up 15 per cent compared with earlier estimates of 30-35 per cent. Information technology investors burned by the profits warning from rival Baan may sense déjà vu. But SAP's troubles are not as serious. Sales ex-Japan have met forecasts. SAP is the industry heavyweight, capitalised at €32bn, with the biggest market share and costs under better control.

Japan – accounting for some 6 per cent of sales – is not the main worry. The risk now is of a clampdown on IT spending, as customers concentrate on checking systems for the millennium. SAP's sales should still grow by 20-25 per cent, but the key will be how much of that growth comes from higher-margin software products rather than services. Longer term, the question is how well SAP moves from selling back-office to front-office software, such as applications to help companies sell over the internet.

SAP has the technology to succeed, but its business model may have to cope with smaller contracts.

Even after yesterday's tumble, SAP shares trade at a substantial premium to rivals like PeopleSoft and Oracle, and further volatility looms. But this is a stock to hang on to.

European carmakers

Executives at the motor industry's annual gathering in Detroit should party while they can. If Ford's Alex Trotman is right, only five of the world's 20-odd carmakers will be around 10 years hence. Indeed, DaimlerChrysler's Robert Eaton expects a European merger within three months. Unsurprisingly, shares in the likeliest candidates – Sweden's Volvo, Italy's Fiat and Germany's BMW – all rose sharply yesterday.

But it is worth remembering that, aside from Daimler and Volkswagen, these companies' relatively small market values – all seven Europeans combined are worth less than two-thirds of Microsoft – belie their continuing political importance as huge employers and symbols of national virility. Consequently, the deals remain hard to construct, as the lengthening passage of time since DaimlerChrysler's merger announcement attests. Leftish governments focused on unemployment are unlikely to support in-market mergers, such as the logical one between French carmakers Renault and Peugeot.

Given also the closely held shares in some groups – the French state, for example, holds 44 per cent of Renault and the Quandt family almost half of BMW – the number of deliverable deals worth doing is actually very small. A Fiat/Volvo link stands out as one. But if consolidation of the sector cannot involve eliminating overlaps and overcapacity, it is hard to see what is in it for investors.

Pharmaceuticals

One cynical interpretation of the proposed Hoechst/Rhône-Poulenc merger was that it aimed to create the first drugs giant within the euro-zone, and attract investors on that simplistic basis. But the idea that investors will wear a currency-based straitjacket in assessing the sector looks misplaced. In drugs, investors have more important yardsticks to apply. These include a company's drugs pipeline and its exposure to the US, where the market is growing at 10 per cent a year compared with Europe's 6 per cent.

The highest rated European companies are those that most resemble their US brethren. Glaxo Wellcome has nearly half its sales there. The proposed Astra Zeneca combination claims to have the second biggest US sales force. The European market is seen as second best not just on its growth rate but because of pricing restrictions and the bar to advertising.

These factors may inhibit transatlantic moves by US companies, leaving European companies to press on with regional consolidation. They are right to do so. Drug approvals have already gone pan-European. Pricing transparency comes next. This steady harmonisation will add to companies' existing urge to pool costly research and development and marketing budgets. Hoechst/Rhône-Poulenc may look a clumsy response, compared with the all-French Sanofi/Synthélabo tie-up, but more cross-border activity looks certain.

US fighters launch missile attacks on Iraqi aircraft

By Stephen Fidler in Washington and Roula Khalaf in Baghdad

US warplanes fired missiles at Iraqi jets yesterday in the first air-to-air confrontation between the two countries in six years, as Saddam Hussein, the Iraqi president, called on Arabs to overthrow their governments.

US officials said the missiles fired by the US aircraft – two carrier-based F-14 navy jets and two land-based F-15 air force strike aircraft – appeared to miss the Iraqi jets. But one crashed, apparently because it ran out of fuel. Iraq insisted that all its aircraft returned safely to base.

The aerial confrontation was the first since December 1992, and signalled a further step in Baghdad's campaign to focus international attention on the "no-fly" zones in the north and the south of the country, patrolled since 1991 by US, British and French aircraft.

The no-fly zones are designed to protect Kurdish and Shia populations. The US argues that the patrols are justified by UN resolutions and will continue, but Baghdad says that they are an illegal violation of Iraqi sovereignty.

In two recent clashes following four days of US-British air and missile strikes last month, US aircraft fired on Iraqi anti-aircraft installations that officials said had threatened allied aircraft.

In yesterday's incident, US officials said the Iraqi aircraft did not attack the US jets.

Mr Saddam's speech, broadcast on Qatar's widely-seen Jazeera satellite TV channel, was his most forceful call so far for Arabs to revolt, and his most scathing attack on Arab leaders.

The speech, planned to be broadcast on Iraq's Army Day today, was apparently brought forward to coincide with the air clash with US aircraft which take off from bases in Kuwait and Saudi Arabia.

"Revolt and unseat those stooges, collaborators, throne dwarfs and cowards, revolt against those who boast of friendship with the United States, those who are guided by William Cohen [US defence secretary]," Mr Saddam said.

Mr Saddam has always tried to portray himself as the leader of the Arab nation and the successor to Gamal Abdel Nasser, the late Egyptian president and the only leader who was ever able to go above the heads of governments and speak directly to the Arab masses.

His speech comes as Iraq tries to capitalise on the public protests that erupted in Arab capitals during the four days of US and British air raids last month.

In Washington, James Rubin, State Department spokesman, depicted both the breach of the no-fly zones and the speech as a consequence of frustration the Iraqi leader felt at having failed to get sanctions lifted. "His lashing out is a result of his isolated condition," Mr Rubin said. He has no support in Arab countries or in the rest of the world and "he's acting out of frustration".

Tariq Aziz on US strikes, Page 5

Philippines returns to bond market with $750m offering

By Edward Luce, Capital Markets Editor

The Philippine government is to tap the international bond markets for up to $750m this week in the first sovereign bond offering by a south east Asian government since the start of the Asian crisis in late 1997.

The Japanese government will also enable Thailand to return to the bond markets this month by providing guarantees for up to $500m of Yen-denominated issues.

The Philippine bond, which follows a $1bn international offering by China last month, will be tracked closely by other Asian and Latin American governments as an indication of whether international appetite is returning for emerging market debt.

The Philippines postponed a planned $1bn offering last September because there was no investor demand for sub-investment grade debt in the fixed income markets.

The planned issue, which follows a mini-rally in emerging market bond prices, would be priced significantly higher than the rates the Philippines were used to before the crisis.

The average spread – or risk premium – on J P Morgan's emerging market debt index has fallen from about 1,200 basis points (1.2 percentage points) over US Treasury bonds to 1,060 basis points since the start of the week.

However, this is still much higher than the low point of 330 basis points in October 1997. The bond will be lead managed by J P Morgan, Morgan Stanley and Warburg Dillon Read.

Richard Gray, chief emerging market economist at Bank of America, said the Philippine bond could open up the market for other borrowers. However, rapid improvement in the current account positions of most south east Asian economies and South Korea in the last few months meant less demand for foreign capital than before.

"Even if there is a strong improvement in investor psychology, there is not going to be a deluge of emerging market sovereign bonds in 1999," said Mr Gray. Other Asian governments, including Thailand and Malaysia, want to establish new sovereign benchmarks so domestic companies and banks can access international capital markets.

Many south east and east Asian companies are unable to borrow from domestic banks. In addition, domestic interest rates in Asian currencies remain much higher than borrowing rates available in the foreign currency bond markets.

Separately, the Electricity Generating Authority of Thailand and other Thai entities are to take advantage of guarantees supplied by Japan's ministry of international trade and industry to issue up to $500m worth of yen-denominated bonds this month.

Using a guarantee enables the borrower to achieve a higher credit rating and therefore a lower cost of funding. Malaysia has already availed itself of the Miti guarantee to issue a Y66.6bn bond last year.

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Makers of new film A Civil Action, starring John Travolta, above, have angered US chemicals company W.R. Grace over the way it is depicted

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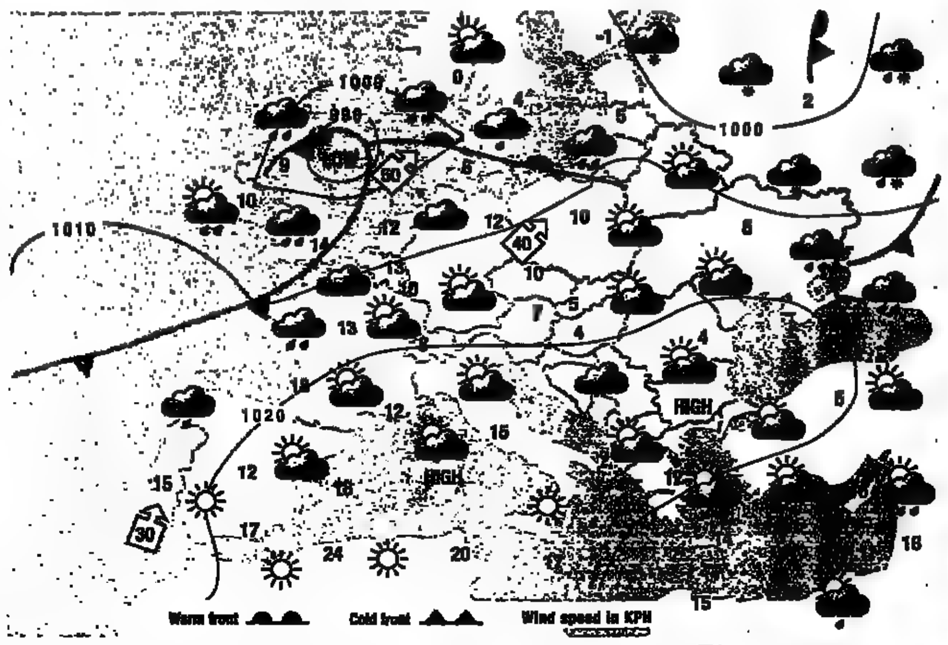
FT WEATHER GUIDE

Europe today

Northern Norway will have snow showers but the extreme south will have more widespread rain and snow. Denmark will also have rain. Sweden will be mostly dry with some sun. The Low Countries, Germany, Austria and Switzerland will be mostly dry with sunny spells but the extreme north of Germany will have rain. Most of France will be dry and bright but Brittany will see some rain. The bulk of the Mediterranean will be dry and sunny but there will be showers in the east.

Five-day forecast

Western and central Europe will have heavy rain tomorrow. Scandinavia will also have heavy rain in the south tomorrow but will become mostly dry towards the weekend. There will be showers in the central Mediterranean. The Balkans and the eastern Mediterranean will have thundery downpours over the weekend.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	25
Accra	Fair	33
Algiers	Sun	24
Amsterdam	Cloudy	12
Athens	Fair	12
Atlanta	Fair	4
B. Aires	Fair	29
B.ham	Shower	13
Bangkok	Sun	32
Barcelona	Sun	15
Beijing	Sun	-2
Belfast	Shower	9
Belgrade	Cloudy	6
Berlin	Cloudy	12
Bermuda	Fair	22
Bogota	Fair	20
Bombay	Sun	32
Brussels	Fair	13
Budapest	Fair	4
C.hagen	Cloudy	6
Cairo	Fair	18
Caracas	Fair	28
Cardiff	Shower	15
Casablanca	Sun	19
Chicago	Snow	-3
Cologne	Fair	14
Dakar	Fair	24
Dallas	Sun	21
Delhi	Sun	21
Dubai	Fair	24
Dublin	Drzzl	10
Dubrovnik	Sun	15
Edinburgh	Rain	10
Faro	Sun	16
Frankfurt	Fair	11
Geneva	Fair	8
Gibraltar	Fair	16
Glasgow	Rain	9
Hamburg	Fair	10
Helsinki	Snow	-1
Hong Kong	Sun	23
Honolulu	Fair	27
Istanbul	Fair	7
Jakarta	Cloudy	29
Jersey	Sun	12
Johannesburg	Thunder	26
Karachi	Sun	26
Kuwait	Fair	22
L. Angeles	Fair	21
Las Palmas	Shower	19
Lima	Fair	26
Lisbon	Shower	15
London	Fair	14
Lux.bourg	Fair	10
Lyon	Sun	14
Madeira	Shower	17
Madrid	Sun	12
Majorca	Fair	18
Malta	Sun	17
Manchester	Shower	13
Manila	Cloudy	30
Melbourne	Fair	28
Mexico City	Fair	24
Miami	Fair	19
Milan	Fair	10
Montreal	Snow	-4
Moscow	Sleet	2
Munich	Sun	14
Nairobi	Fair	28
Naples	Sun	19
Nassau	Shower	24
New York	Fair	1
Nice	Sun	12
Nicosia	Thunder	16
Oslo	Fair	0
Paris	Fair	12
Perth	Sun	24
Prague	Fair	10
Rangoon	Sun	32
Reykjavik	Snow	1
Rio	Fair	29
Rome	Sun	15
S. Frsco	Fair	13
Seoul	Sun	4
Singapore	Thunder	30
Stockholm	Snow	1
Strasbourg	Fair	11
Sydney	Fair	29
Tangier	Sun	19
Tel Aviv	Fair	18
Tokyo	Cloudy	12
Toronto	Snow	-2
Vancouver	Shower	8
Venice	fog	9
Vienna	Fair	7
Warsaw	Drzzl	10
Washington	Fair	1
Wellington	Sun	21
Winnipeg	Sun	-20
Zurich	Fair	8

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FINANCIAL TIMES
COMPANIES & MARKETS
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WEDNESDAY JANUARY 6 1999
Week 1

INSIDE

Vivendi issues bond in euros
Vivendi, the French utility, launched the first bond issue of its type denominated in euros to raise up to €1.7bn ($1.99bn). The issue, convertible into new or existing shares, is the second largest from a European issuer. **Page 18**

HP forms low-cost PC printer arm
Hewlett-Packard, the world leader in inkjet printing, has formed a new wholly-owned subsidiary to address the market for low-cost personal computer printers, while insulating its established printer business from the new low-margin market segment. **Page 16**

Guotai eyes overseas expansion
Guotai Securities, the state-backed securities house from Shanghai set to become China's largest stock brokerage when its merger with J&A Securities is concluded early this year, plans to become the nation's leading securities company abroad as well. **Page 17**

Brazil coffee exports in sharp rise
Brazil and Colombia, the world's biggest and second biggest coffee producers respectively, posted strong rises in exports in November. However, central American exports dropped sharply. **Commodities, Page 24**

Abbot and ProSafe in link talks
Abbot, the UK oil services group, and ProSafe, a Norwegian rival, said they were in merger discussions that would create the world's leading platform drilling group, worth about £550m ($918m) and listed in London. **Page 19**

CBOE to develop screen system
The Chicago Board Options Exchange, the world's biggest options market, has said that it plans to develop a fully screen-based trading system as a "hedge" against competition from automated rivals. **Capital Markets, Page 22**

IMF deal approval the key for Brazil

In December, the IMF led a rescue mission to bail out Brazil, a market investors have largely shunned since last April, with a $41.5bn package. Shares fell by about a third in real terms last year. This year much will depend on the willingness of the congress to pass cost-cutting and tax-raising measures that will enable the government of Fernando Cardoso (above) to meet IMF targets. **Emerging Market Focus, Page 34**

Seafood now Panama's top export
Data show seafood overtaking bananas as Panama's top export earner. A banana production strike and more seafood owing to the El Niño weather system helped, but the situation really reflects banana sector stagnation and strong growth in shrimp. **Commodities, Page 24**

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Ford denies it plans to buy BMW or Honda

By Haig Simonian in Detroit

Ford Motor, the US carmaker at the centre of speculation about a new wave of takeovers and alliances in the automotive industry, yesterday denied reports it was about to buy BMW and Honda.

Jac Nasser, Ford chief executive, said in an interview the company was always on the look-out for suitable opportunities. But the latest reports "came as a surprise to us. I guess we should be flattered, really".

Mr Nasser, who has largely steered Ford's revival in recent years, said the group was well placed to continue in its current form because of its broad brand and product portfolio and strong presence in the world's main automotive markets.

"We see anything of an acquisition nature as an opportunity rather than a necessity," he said. Any deal "would have to be an absolute opportunity for us".

His remarks followed a day in which investors piled into the market after a news agency report about the supposed BMW and Honda deals. The German and Japanese groups joined Ford in firmly rejecting the speculation.

Mr Nasser confirmed that Ford had been in talks with Volvo, the Swedish group but denied that the discussions had involved a full scale merger. "We talk to them about all sorts of things – we'd like them to buy more parts from us – just as we talk to other car companies."

In Frankfurt, BMW shares shot up 11.5 per cent to a four-month high in early trading on speculation it might be a takeover target for Ford. But after a denial from the Munich-based group, the shares settled €8.50 higher at €699.

On the Milan stock exchange Fiat shares, which were briefly suspended, rose 6.22 per cent to €3.346 on rumours it was in merger talks with Volvo, while the Swedish carmaker's shares rose SKr12.50 to SKr212. Fiat declined to comment yesterday on the latest wave of merger rumours.

It is understood Volvo has also been in talks with Fiat and Volkswagen about possible co-operation in manufacturing and component sharing.

Unlike BMW, Volvo has declined to deny reports that it would consider a partnership.

Mr Nasser said Ford had featured prominently in the latest round of speculation because of its high profitability, its well-publicised desire to grow and its multi-brand, multi-cultural structure, which showed it was capable of expanding.

Additional reporting by Paul Betts in Milan and Tim Burt in Stockholm

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Japanese car sales, Page 6

Ford chief Jac Nasser: 'I guess we should be flattered, really' Picture AP

SAP shares fall after company reveals sales slip

By Tony Barber in Frankfurt

SAP, the German software group that is a bellwether for Europe's technology sector, saw its shares tumble yesterday after it said sales problems in Japan caused pre-tax profits last year to fall well below company forecasts.

The group, the world's largest provider of business management software and one of the German stock market's star performers of the 1990s, said the difficulties in Japan had cost it DM200m ($119.7m) in earnings and would result in a fourth-quarter loss in the country, the company's third most important market.

Coupled with disappointing results in Russia, where SAP said the financial crisis had cost it DM40m, the news from Japan underlined the vulnerability of European exporters to the troubles in Asia and other emerging markets.

SAP shares, down more than 20 per cent in early trade, recovered but still closed €59, or 15.2 per cent, lower on the day at €328.

Last October SAP was still forecasting a 30-35 per cent increase in pre-tax profits for 1998. Yesterday, without giving precise figures, the company said profits would grow by 15 per cent.

SAP said group sales had risen by 40 per cent to DM8.4bn last year, but anticipated sales growth in 1999 of only 20 to 25 per cent.

Henning Kagermann, co-chief executive, said the company did not expect a short-term improvement in Japan and was restructuring its sales there, though without laying off staff.

He said the main problem towards the end of 1998 had been the reluctance of Japanese executives, made cautious by the nation's economic downturn, to give final approval to sales deals with SAP. Mr Kagermann estimated up to two-thirds of SAP's outstanding orders in Japan had been postponed in this way.

Technology specialists said SAP's immediate prospects might be affected by a slowdown in business software orders that some analysts are anticipating for this year.

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World Stocks, Page 34

Japan's MHI warns of earnings tumble

By Alexandra Harney in Tokyo

Mitsubishi Heavy Industries, Japan's largest machinery manufacturer, said yesterday that a collapse in orders for ships, chemical plants and industrial machinery as a result of continued economic weakness in Japan and Asia might force it to lower its earnings forecast for this year.

Such a revision would be a further blow to MHI, which had a sharp fall in profits last year and saw unsecured long-term debt downgraded from Aa3 to A1 by Moody's, the US credit rating agency.

MHI shares have fallen 33 per cent in the past year as investors lost confidence in management's ability to cope with changes in the market. The shares slipped a further Y1 yesterday to Y429.

The company has been hit by Japan's recession, which has lowered demand for machinery as companies cut capital expenditure, and the financial and economic crisis in Asia, which has eliminated its largest source of new orders.

Last October MHI said it expected after-tax earnings for the year ending in March to tumble 58 per cent, from Y83.5bn ($720m) to Y35bn, on orders down 11 per cent to Y2,350bn.

In the six months to September, chemical plant orders slumped 86 per cent compared with the same period in the previous year, while ship orders slid 43 per cent, from Y105bn to Y59.6bn.

Analysts said there was a high risk of further profit declines, given the state of the Japanese and Asian economies, and MHI's reluctance to attack its high cost base.

"MHI is a domestic-based company trying to compete with the likes of General Electric, ABB and Siemens," said Paula Sugawara, industry analyst at Goldman Sachs in Tokyo. She noted that MHI's US and European rivals had expanded production overseas to improve efficiency, and said MHI needed to cut between 10 and 20 per cent of its 40,000 workforce.

The company said yesterday that some of its divisions may be generating significant losses. It declined to identify them, but analysts said MHI had indicated that several projects, probably in the power systems and machinery divisions, were incurring losses of Y10bn or more this year.

EUROPEAN GROUPS AND INTEL BUCK TREND OF FALLING REVENUES

Low prices hit chipmakers

By Paul Taylor in London

Weak memory chip prices and overcapacity took their toll on the semiconductor industry again last year, with most of the biggest chipmakers hit by severe revenue declines, according to figures published yesterday by Dataquest, the market research firm.

Global revenues at seven of the top 11 semiconductor manufacturers fell by at least 14 per cent. Among top-tier manufacturers only the three European chip makers – Philips, STMicroelectronics and Siemens – and Intel, the industry leader, bucked the trend.

The biggest declines came at Japanese and Korean semiconductor manufacturers including Hitachi, NEC and Samsung, which are all heavily reliant on the volatile market for dynamic random access memory (D-Ram) chips.

"Semiconductor vendors around the world are glad to see the back of 1998, a year slated to be the worst since the mid-eighties," said Joe D'Elia, programme manager for Dataquest's European semiconductors programme.

"The D-Ram market is sailing in uncharted waters, having suffered its third bad year in a row, overcapacity reared its head in previously profitable product segments, and the ramifications of the Asian financial crisis continued to be felt throughout the year."

Manufacturers estimate that world prices for D-Ram chips fell by about 80 per cent in the 12 months to September 28 1998, after sharp price declines over the previous two years.

As a result, most manufacturers announced plant closures or postponed new investments. Texas Instruments sold most of its D-Ram operations to Micron Technology. Siemens announced plans to spin off its semiconductor business through a public offering.

Dataquest estimates that semiconductor revenues at Intel, which supplies most of the microprocessors used in personal computers, grew by 4.3 per cent to $22.6bn. Intel's semiconductor revenue is now 2.7 times that of NEC of Japan, its nearest rival.

However, the strongest performance came from the European chip makers, with the three European vendors making it into the worldwide top 10 for the first time.

Top 10 semiconductor groups by revenue
($USm)

Rank 1997	Rank 1998	Company	1997 Revenue	1998 Revenue	1997-1998 Growth (%)
1	1	Intel	21,746	22,675	4.3
2	2	NEC	10,222	8,271	-19.1
3	3	Motorola	8,067	6,918	-14.2
5	4	Toshiba	7,253	5,095	[illegible]
4	5	Texas Instruments	7,352	6,000	-18.4
7	6	Samsung	5,855	4,752	-18.9
6	7	Hitachi	6,298	4,649	-26.2
9	8	Philips	4,440	4,502	1.4
10	9	STMicroelectronics	4,019	[illegible]	7.0
12	10	Siemens	3,441	3,868	12.4
8	10	Fujitsu	4,522	3,866	-14.4

Source: Dataquest

BARRY RILEY

Rethinking euro spreads

Sovereign credit ratings have assumed a new prominence. Late last year, Moody's downgraded Japan and Fitch IBCA downgraded Belgium (though it upgraded Ireland). Now the euro-denominated government bond market provides a new, transparent arena to demonstrate the perceived creditworthiness of the euro-zone's governments.

The euro-zone's government debt market is the world's biggest, according to Barclays Capital's latest emu facts book. It accounts for 35 per cent of the developed world's marketable government debt against 33 per cent for the US.

In the past, fund managers have traded this European mountain of bonds largely on the basis of economic and political analysis (focused as a view on future inflation), but in a single currency zone only credit ratings matter. And whereas inflation was a big game, resulting in spreads of hundreds of basis points, and enormous convergence or divergence opportunities, sovereign credit spreads are normally fairly trivial. True, at periods of strained finances, it could be a very different matter, but some 20 basis points currently covers the euro-zone field in terms of ten-year benchmark yields.

Credit rating is a matter of opinion. Only four euro-zone countries – Austria, France, Germany and the Netherlands – are unanimously rated triple-A, and Italy, the most indebted, is the least regarded of the eleven. Market yields also depend on factors such as liquidity (which penalises smaller economies) and institutional distortions.

A new analysis by Paul Donovan, of Warburg Dillon Read, of the euro-zone's creditworthiness attempts to take some of the subjectiveness out of credit scoring. He looks at seven factors, of which the most important are the economic growth rate, annual deficits, accumulated indebtedness and tax raising efficiency.

A high growth rate will rapidly pull economies out of financial trouble, stagnation will tend to push them deeper into it. The stability pact will supposedly keep debt problems under control, but its effects could easily turn out to be perverse. And, of course, Italy and Belgium were allowed into the single currency with seriously over-the-limit indebtedness levels to start with. The interesting change in perception over the past year or so has been that the euro will not necessarily favour the core countries like Germany and France but, rather, some of the smaller, fringe economies. This may be a cyclical effect, of course. But Mr Donovan thinks the economies will continue to diverge, and the structural rigidities of the monetary union will mean that credit spreads tend to widen over time. Certainly, Germany has been squealing noisily about tax as its new government frets about competitiveness. It is interesting, too, that France is continuing to make its bond market more investor-friendly, with further measures announced this week, and it has been the first in the euro-zone to diversify into inflation-protected bonds. Political prestige, after all, is involved in these spreads.

France's high rating by the market – its 10-year benchmark bond actually yields a basis point or two less than Germany's – is one of the main anomalies, according to Warburg Dillon Read, which is concerned about structural problems in the French economy. Elsewhere, Italy is also overrated but the charms of the Netherlands (which tops this particular creditworthiness league table) are said to be underpriced, although liquidity factors play a part here.

Naturally, it may take the new market a while to settle down. Trading government bonds within the euro-zone, anyway, will be a comparatively dull business. The bigger game, investment banks hope, will be the growth in corporate and other credit bonds.

Barclays Capital notes that the euro-zone's combined bank assets are 2.4 times as large as those in the US, while the region's corporate bond issuance is much smaller. Only 68 corporates have long-term ratings from Standard & Poor's compared with 2,461 in the US.

ONLINE TRADING BOOK AND MUSIC RETAILER ADDS 1m CUSTOMERS DURING HOLIDAY SEASON

Amazon.com warns on loss despite revenue rise

By John Labate in New York

Amazon.com, the Seattle based online book and music retailer, previewed its holiday sales and margin performance yesterday, saying that revenues had nearly quadrupled to $250m in the fourth quarter but also warning analysts not to expect a lower quarterly loss as a result of the sales rise.

However, it added that more than 1m new customers had shopped on Amazon.com during the holiday shopping season.

The company also cautioned that the rise in seasonal sales "will not translate into correspondingly lower net losses in the fourth quarter". The news led some analysts to wonder how deeply Amazon.com's bottom line would be hit by new lines of business as well as aggressive pricing brought on by a raft of online and traditional competitors that have entered its field.

"The wild card is aggressive pricing," said Derek Brown, online analyst at Volpe Brown Whelan in San Francisco. "It's not clear if the company priced lower to lure customers in or if it was triggered by industry trends." He added that the revenue figure was very strong and that the consensus estimate was unchanged at a loss of 18 cents for the quarter.

Competition in the book and music retail market has picked up considerably in recent months, leading many to wonder if Amazon.com's considerable lead against such online rivals as barnesandnoble.com and borders.com can be sustained. The threat of a thinning profit potential and greater competition has gone unheeded by investors. In the recent run-up in internet stocks, Amazon.com stands well ahead of the field due largely to the valuation rift the stock has set off in the analyst community.

In mid-December when the stock was traded at about $240 a share, CIBC Oppenheimer said its target price was $400, an event that sent the shares rocketing higher, to close up $46 in a single day.

That was followed soon after by a target price of $50 issued by an analyst at Merrill Lynch, which did little to cool off demand for the shares as investors loaded up in anticipation of strong holiday sales.

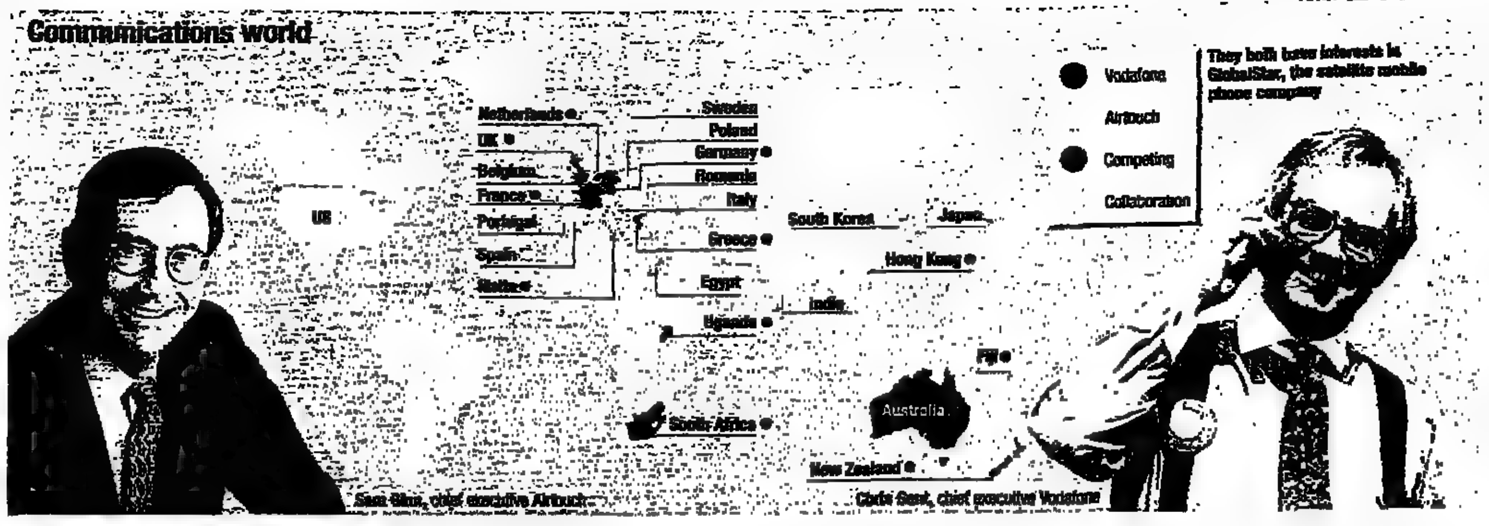
"The stock's not trading on [financial] numbers, it's trading on avarice," said Rick Berry, analyst at J. P. Turner in Atlanta.

Amazon.com is expected to release its full fourth-quarter and year-end results this month. The company's 3-for-1 stock split took effect yesterday, helping to draw more buyers to the shares. Initially the shares were down, but by early afternoon they had rebounded, up $9[illegible] at $127[illegible].

Bidding war over AirTouch is only for the brave

It is hard to see many groups wishing to tangle with Vodafone as it seeks a merger with the US wireless carrier

By Richard Waters in New York



Sam Ginn, chief executive AirTouch

Chris Gent, chief executive Vodafone

There are a number of large US telecommunications companies that would hate to see AirTouch, the country's biggest wireless carrier, fall to a foreign merger.

But at more than $90 a share, or a 30 per cent premium to AirTouch's share price before news that it was involved in merger talks first broke, it is difficult to see many getting drawn into a bidding war against UK-based Vodafone.

Bell Atlantic, the Baby Bell which had appeared to be edging close to a purchase of AirTouch over the weekend, is thought to have offered stock worth around $75 for each AirTouch share, based on its own share price yesterday. That represents only a small premium to the price before its interest became public.

Sam Ginn, the AirTouch chairman, "is not going to sell at a 10 per cent premium – it's too low," said Andrew Cole, a telecoms consultant at Renaissance Worldwide. Certainly, that has been the view of a number of AirTouch investors.

Bell Atlantic may be reluctant to raise its bid much higher, however. It already faces considerable dilution to its earnings per share, even assuming it could use the pooling of interests treatment to account for the merger – an issue still thought to be unresolved.

One way out would be to create a separate stock to track its wireless operations – a route that other wireline carriers have taken to prevent the same sort of dilution from the fast-growing wireless business. Sprint has already done this, and AT&T is set to announce a similar arrangement.

Vodafone faces no such problem. Its shares, like those of AirTouch, are held by investors looking for future growth, not dividends. The stock market has become accustomed to valuing both companies on a multiple of ebitda (earnings before interest, taxes, depreciation and amortisation) and would take such a combination in its stride.

The UK carrier also benefits from having a powerful takeover currency. Its shares trade at a higher multiple of ebitda than AirTouch's, a reflection of the higher growth rates and valuations of wireless companies outside the US. Vodafone would still face questions about whether it had overpaid.

Applying a multiple of 10 to AirTouch's long-term ebitda growth would imply a price of around $84 a share for the company, according to Charles DiSanza, an analyst at Gerard Klauer Mattison.

Along with some other Wall Street analysts yesterday, Mr DiSanza said Vodafone could recoup some of its cost, and resolve a potential strategic headache in the US, by selling the network there to Bell Atlantic.

By moving quickly with its attempt at a knock-out bid, meanwhile, Vodafone may have pre-empted another potential acquirer in the shape of MCI WorldCom. Bernie Ebbers, chief executive of the former WorldCom, once broke up BT's offer for MCI with a knock-out punch, and Wall Street was not ruling out a similar blow against Bell Atlantic's low-ball bid.

MCI WorldCom, like Vodafone, has a powerful stock to back acquisitions, thanks to its status as one of the most highly regarded large-capitalisation growth stocks on Wall Street. The company's shares jumped $4¼, or 6 per cent, to $74 in early trading yesterday after Jack Grubman, an analyst at Salomon Brothers, raised his price target to $100.

However, Mr Ebbers may not yet feel the need to jump into the mobile business, particularly at the price Vodafone is believed to have proposed for AirTouch. He still needs to show Wall Street that the takeover of MCI, by far his biggest ever, can be made to work.

HP forms low-cost printer division

By Louise Kehoe in San Francisco

Hewlett-Packard has formed a wholly-owned subsidiary to address the growing market for low-cost personal computer printers, while insulating its established printer business from the new low-margin segment.

The world leader in inkjet printing, HP has so far not participated in the "ultra low-end" market for printers selling in the US for under $100.

However, demand for low-cost machines, which are widely used with home computers, is growing rapidly. HP said printers selling for less than $100 represented about 5 per cent of total worldwide unit sales, or about 1.5m units last year. By 2000, the company expects this category to rise to 11 per cent of the printer market, or about 5m units.

By forming Apollo Consumer Products, the new subsidiary, HP aims to take advantage of this growing demand while avoiding cannibalisation of its established printer business.

Apollo, to be based in San Diego, will have just 10 employees and a very low cost structure, geared to the low profit margins of the low-end market, said Antonio Perez, HP vice president and general manager of the inkjet products group.

The new business unit will rely heavily upon third parties for manufacturing and distribution and work closely with PC manufacturers and retailers to create customised products which can be bundled with PCs.

These products will carry the Apollo brand name with a tag line: "Powered by HP inkjet technology".

Creating a "second brand" for lower-cost products is well known in other industries such as hotels and retailing. However, it is a new approach for HP and largely unproven in the high-technology sector. If successful in the printer market, Apollo might eventually branch into other segments of the computer market, Mr Perez said.

Separately, HP said yesterday it had reached an agreement with Xerox to settle a trademark infringement dispute between the companies. The agreement settles a lawsuit filed by HP 15 months ago which alleged that Xerox was abusing its trademarks on remanufactured toner cartridges for use with HP laser printers. Xerox agreed to remove HP trademarks from its packaging.

UK analysts' favourite relishes hunt

By Alan Cane

Vodafone is both the UK's largest mobile phone operator and, along with AirTouch, one of the world's two largest wireless groups. Hugely profitable in its home market, it is beginning to reap the benefits of its spread of investments in fledgling cellular operators outside the UK.

Last year, for example, group profits before tax amounted to £650m ($1.08bn) on turnover of £2.47bn, while in the first six months of the current year profit before tax came to £476.9m while turnover was £1.56bn.

Vodafone has long been a favourite with UK analysts. Robert Millington, London-based telecoms specialist with Credit Suisse First Boston, noted last year: "Vodafone is arguably the outstanding UK corporate success story of the last 15 years. From launch in 1984, the group has grown to be one of the UK's top 10 companies, measured by market capitalisation."

Yesterday, after its share price rose on news of the merger approach, it was valued at about $57bn compared to $42bn for AirTouch.

Its market canniness and commercial nous are being appreciated on a broader front. This month Forbes magazine awarded it the accolade of the world's best big telecoms group ahead of contenders such as MCI WorldCom of the US, Bell South and Cable & Wireless. The criteria included price/earnings ratio (49.6) and five-year return on capital (34 per cent). AirTouch was in 17th position.

Vodafone is the offspring of the vision of Sir Gerald Whent, its first chief executive, and the support of its first chairman, Sir Ernest Harrison. Originally a subsidiary of Racal, the electronics empire built by Sir Ernest, the company was floated in 1988.

It was a difficult period for the cellular industry. Mobile phones were cumbersome, battery life was short and calls were expensive. This was the time, after all, when AT&T sold off its mobile interests believing them to have no great potential.

Sir Gerald, now 71 and retired as chief executive more than two years ago, had faith in the cellular future, however, and Vodafone secured one of the first two UK operating licences and built up a strong base of business customers, helped by an indifferent performance by its only competitor, Cellnet, in which British Telecommunications had a majority stake.

He also believed in an international future and Vodafone, buoyed by its UK skills and experience, set about securing licences abroad. It sought quality, Sir Gerald declaring at one time that most of the overseas licences worth having had been secured.

Under its current chief executive, Chris Gent, progress has been maintained. More than £2bn has been invested in the group's overseas operations since 1989.

The company says its international strategy is to achieve group earnings from overseas on a par with those from the UK within the next five years. At the halfway mark at the end of September last year, the international portfolio delivered operating profits of £153m, about one-third of total operating profits.

The most spectacular consequence of Mr Gent's succession has been Vodafone's rejuvenation in the UK. He cut prices and introduced new tariffs. Vodafone was one of the first operators to introduce the "pre-paid" tariffs which free customers from the necessity of a contract with a service provider and a rental charge.

The result was a spectacular 933,000 net new subscribers in the Christmas quarter, almost doubling Mr Gent's own estimate.

He clearly relishes the idea of repeating the experience with AirTouch. Asked if he was intimidated by larger competitors, he replied: "We are very much the hunter not the hunted."

Mexican brewers lift prices sharply

By Henry Tricks in Mexico City

Mexican beer drinkers received a New Year's shock on Monday when Mexico's two leading brewers, Grupo Modelo and Femsa, announced an almost 20 per cent rise in beer prices.

Grupo Modelo, which brews the flagship Corona brand, pushed up prices an average 18 per cent, while prices of Femsa's brands, which include Sol and Tecate, rose an average 19 per cent, company officials said.

Wall Street analysts said the increases would help underpin profits for both companies at a time when beer consumption is expected to contract as the economy decelerates. The increases are higher than most analysts' forecasts for inflation in 1999, which average about 16 per cent, well above the government's 13 per cent target.

The price rises follow a decision by Congress in the 1999 budget agreement last week to retain the 25 per cent level of a special excise tax on alcoholic beverages introduced last year.

The brewers almost lobbied successfully for its reduction, but failed at the last minute as Congress voted for the scrapping of a proposed telephone tax instead.

Industry officials said the tax would hurt the competitiveness of the Mexican beer companies against rivals in the US and Canada, Mexico's two partners in the North American Free Trade Agreement.

Modelo's beer sales in 1997 were $1.9bn and Femsa's were $1.29bn.

Chest drug go-ahead

FH Faulding, the Australian pharmaceuticals company, said yesterday its US unit had won approval from the US Food & Drug Administration to market 30mg and 60mg tablets used to prevent chest pain due to coronary heart disease, reports Reuters in New York.

The new drug is a generic equivalent of Imdur, marketed by Key Pharmaceuticals. The product had brand-name sales for the 12 months to September of about $250m.

Faulding believes it is the first independent generic pharmaceuticals company to receive clearance to market the 30mg tablets. Generic equivalents for the 60mg strength have been marketed since November 1998.

The company will begin commercial shipment immediately. Faulding shares rose 3 cents to close at A$7.70 in a falling market.

Internet brokers' stocks take downward turn

By John Authers and John Labate in New York

Shares in internet brokers took a dive in early trading on Wall Street yesterday, as the market suddenly began to take note of how high valuations for the sector had become.

Charles Schwab, which does more trading than any other broker online, saw its shares fall 3.75 per cent, while AmeriTrade, a smaller internet broker, slipped 5.1 per cent as the market as a whole was rallying.

But this followed impressive gains which lifted the entire sector at the end of last year, with the market capitalisations of leaders such as Schwab, E*Trade and AmeriTrade more than doubling during 1998.

Now attention is focusing on their fourth-quarter results. Online broking is the most firmly established of all the "e-commerce" businesses, and brokers' success in making profits online will be closely watched by analysts following other e-commerce companies.

The volume of trade carried out on the internet is already significant. By late September last year, 26 per cent of all retail trades in the US went through online brokers, according to Stephen Franco at Piper Jaffray.

Brokerages

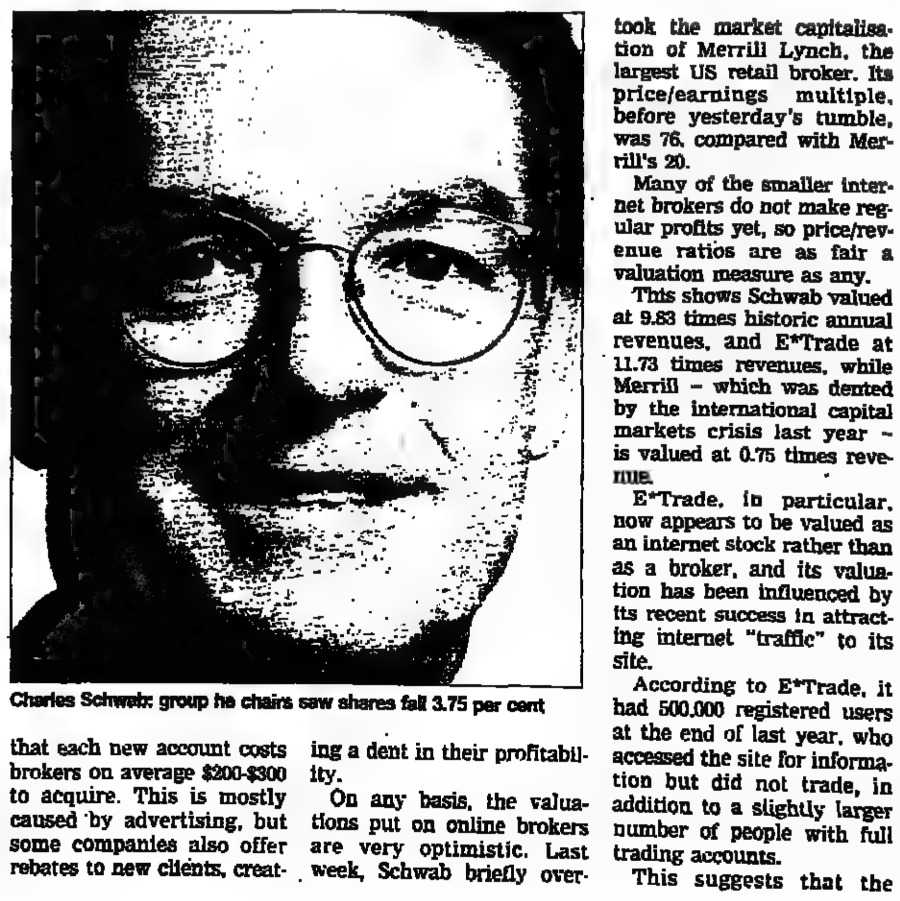
Company	Price/revenues ratio
Charles Schwab	9.83
E*Trade	11.37
AmeriTrade	5.37
Merrill Lynch	0.75
PaineWebber	0.8
Donaldson Lufkin & Jenrette	1.12

Source: SSP

He adds that the 10 largest online brokers accounted for 5 per cent of all assets held directly in US equities not including pensions.

But profitability is highly questionable. Schwab took a sharp hit to its profits early last year after it changed its pricing to encourage investors to move over to online investing.

Acquisition costs for each customer still seem prohibitive, and this remains an important issue. The trend varies between companies, but Mr Franco estimates that each new account costs brokers on average $200-$300 to acquire. This is mostly caused by advertising, but some companies also offer rebates to new clients, creating a dent in their profitability.



Charles Schwab: group he chairs saw shares fall 3.75 per cent

On any basis, the valuations put on online brokers are very optimistic. Last week, Schwab briefly overtook the market capitalisation of Merrill Lynch, the largest US retail broker. Its price/earnings multiple, before yesterday's tumble, was 76, compared with Merrill's 20.

Many of the smaller internet brokers do not make regular profits yet, so price/revenue ratios are as fair a valuation measure as any.

This shows Schwab valued at 9.83 times historic annual revenues, and E*Trade at 11.73 times revenues, while Merrill – which was dented by the international capital markets crisis last year – is valued at 0.75 times revenue.

E*Trade, in particular, now appears to be valued as an internet stock rather than as a broker, and its valuation has been influenced by its recent success in attracting internet "traffic" to its site.

According to E*Trade, it had 500,000 registered users at the end of last year, who accessed the site for information but did not trade, in addition to a slightly larger number of people with full trading accounts.

This suggests that the market is betting on a heavy increase in volumes of trading on the internet, as well as an increase in margins. It also implies that on-line brokers will need to take over not only the discount broking market, which was previously served over the telephone, but also the business of full-service brokers.

This is the philosophy of Schwab, whose strategy is to use the internet, and the extra analytics and advice it can provide, as a vehicle to compete directly with full-service companies.

After Schwab induced customers early last year to move to the web, it has since seen the total share of trades carried out online increase from 39 to 54 per cent. A total of $156bn is now held in online accounts while weekly trading on the web by Schwab customers has reached $4.3bn, more than double its $2.1bn figure in the first quarter of last year.

Schwab said that it had now attracted enough new volume, and instituted sufficient cost-savings, to make good the fall in revenue which came with its new pricing structure.

MINORCO

DECLARATION OF DIVIDEND

A second interim dividend of 8 US cents per share has been declared in respect of the year to December 31, 1998 payable on February 10, 1999 to shareholders registered in the books of Minorco at the close of business on January 15, 1999 and to persons presenting coupon no. 23 detached from bearer share certificates. Shareholders resident in the United Kingdom who do not elect, by notifying the United Kingdom transfer agents by January 22, 1999, to receive their dividend in US dollars will receive their dividend in sterling converted at the rate applicable on January 26, 1999 less appropriate taxes. Dividend warrants will be posted from the transfer agents on February 9, 1999. The dividend is payable subject to conditions which can be inspected at the offices of the transfer agents.

Minorco Société Anonyme, 9, rue Sainte Zithe, Luxembourg City, Grand Duchy of Luxembourg
R.C. Luxembourg No. B12139

January 6, 1999

NOTICE TO BONDHOLDERS OF

GVC CORPORATION
("the Company")
(Incorporated as a company limited by shares in Taiwan, R.O.C.)
US$150,000,000
Zero Coupon Credits due 2002
("the Bonds")

THIS NOTICE IS HEREBY GIVEN that the Company has determined to fix December 28, 1998 as the next Consolidation Date. In order to be registered in the Company's stock transfer books on such Consolidation Date, bondholders are required to submit their Conversion Notices to the Company's Principal Conversion Agent's office in New York City no later than the close of business on December 23, 1998. After such Consolidation Date, the Company will proceed with the necessary filing and registration for capital increase in order to issue new shares and/or GDRs in exchange for the Entitlement Certificates issued and outstanding on or before such Consolidation Date.

Bondholders should consult with the Terms and Conditions of the Bonds contained in the Offering Circular dated May 7, 1997 for specific provisions concerning the conversion rights attaching to the Bonds.

GVC Corporation
CITIBANK BY: CITIBANK, N.A.
as Principal Conversion Agent

Dated: January 6, 1999

THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

U.S.$50,000,000
FLOATING RATE NOTES DUE 2000

Notice is hereby given that the Rate of Interest has been fixed at 6.56031% and that the interest payable on the relevant Interest Payment Date April 6, 1999, in respect of US$10,000 nominal of the Notes will be US$164.01 and in respect of US$100,000 nominal of the Notes will be US$1,640.08.

Global Agency and Trust Services
Citibank, N.A. London
January 6, 1999

CITIBANK

BAHRAIN INTERNATIONAL BANK (E.C.)
USD 60,000,000
Floating Rate Notes due 2001

Notice is hereby given that the rate of interest for the period from January 4th, 1999 to July 2nd, 1999 has been fixed at 6.455 per cent. per annum. The coupon amounts due for this period are USD 320.98 per denomination of USD 10,000, USD 3,209.57 per denomination of USD 100,000 and USD 16,047.85 per denomination of USD 500,000 and are payable on the interest payment date July 2nd, 1999

BNP The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

هكذا من الاصل

TELEPHONY HUTCHISON TELECOM AND NEW T&T REDUCE CALL COSTS FOLLOWING HK TELECOM MOVE

New tariff cuts unveiled in HK telecoms

By Louise Lucas in Hong Kong

Prices are to fall further in Hong Kong's newly liberalised IDD telecommunications market, after two local companies launched aggressive promotional packages yesterday.

The moves follow Hongkong Telecom's tariff cuts on Monday. Hutchison Telecom yesterday said it would cut its IDD rates by up to 50 per cent during its six-week promotion period, while New T&T, the telecoms arm of Wharf (Holdings), is slashing the cost of calls that exceed 10 minutes.

Hutchison Telecom and New T&T are expected to grab the bulk of the market share lost by Hongkong Telecom, which surrendered its IDD monopoly on January 1.

Since the beginning of the year, about 30 telecoms operators have secured international simple resale (ISR) licences, which allow them to bulk-lease Hongkong Telecom capacity and offer their own branded services.

Several, including all three domestic fixed-line competitors, already offered international services via callback, whereby calls circumvented the monopoly by being bounced back as incoming calls. These are estimated to have accounted for up to 20 per cent of the international calls market.

However, quality on callback is inferior, and companies such as Hutchison believe they will be able to compete for customers on a more even footing with ISR. Hutchison is seeking to woo customers with a promotion offering discounted tariffs on calls to popular destinations, including southern China.

For offpeak hours, the cost of calls drops to new lows: HK$0.48 a minute to the US compared with the next best of HK$0.66 offered by rivals. Although Hongkong Telecom, which is controlled by Cable and Wireless of the UK, cut the cost of calls to northern China – excluding Guangdong province in the south where Hong Kong has the bulk of its business and family ties – its charges are still higher than the all-hours HK$6.48 offered by Hutchison.

New T&T has joined in with a "talk longer, pay less" promotion that drops the per-minute cost of calls after 10 minutes. Its deal is one and a half weeks longer than that of Hutchison and Guangdong is excluded, but calls to the rest of China fall to HK$3.45 after the first 10 minutes at HK$8.80 a minute.

By contrast, the savings programmes launched by Hongkong Telecom do not lapse after a promotional period. According to Jardine Fleming Securities, the former monopoly's calling plans equate to customer savings of about 8 per cent.

Chinese broker with eye on expansion bucks Asian trend

Guotai aims to develop overseas as others retrench, writes **James Harding**

Retrenchment may be the rule these days for many securities houses in Asia, but the company set to become China's largest stock brokerage is in expansive mood.

Guotai Securities, the state-backed firm from Shanghai, will conclude its merger with J&A Securities early this year to become the most influential operator in China's emerging capital markets.

But Guotai's ambitions stretch further afield – the six-year-old company plans to become China's leading securities company abroad, as well as at home.

"We are trying our utmost to develop our international business," says Wang Yimin, executive director of Guotai. "China's capital markets cannot be isolated from other markets ... and we want to project ourselves internationally."

Guotai is considering a number of projects to increase its global profile: the establishment of offices in Europe; the underwriting of large mainland listings on the Hong Kong and other international markets; and a proposal to set up an investment fund with an overseas financial institution.

Guotai's domestic operations provide the underpinning for its overseas aspirations. The company was established in 1992 under the guidance of the finance ministry, with the support of China's big four commercial banks and the People's Insurance Company of China, as well as shareholders drawn from the best-known names in state industry, such as Baosteel and Shanghai Petrochemical.

Last year, Guotai's pre-tax profits rose sharply from RMB1.61m to RMB427m ($52m) and assets jumped from RMB3.8bn to RMB5.1bn. Mr Wang forecasts a return on equity this year of about 50 per cent, generated equally by its three main sources of revenue: new listings, broking commission and proprietary trading.

The group continues to grow, despite the slowdown in new issues on China's subdued capital markets this year. "We still have a big share in the underwriting business and an area that is growing strongly is rights issues," Mr Wang says. "We have also seen the increase in commissions because of higher trading volumes."

'We are trying our utmost to develop our international business . . . China's capital markets cannot be isolated from other markets, and we want to project ourselves internationally'

Still, Mr Wang's positive portrait skirts some of the embarrassments and uncomfortable challenges that flowed last year from the company's position straddling the state sector and the capital markets.

Guotai's reputation has been dented by the recent scandal surrounding Chengdu Hongguang Industrial, which provided false financial information to gain a share listing. Guotai was fined for recommending the company, which reported profits when it was making a substantial loss.

The merger with J&A Securities has also been seen as a mixed blessing for Guotai. Mr Wang says: "The merger will be beneficial to Guotai. J&A is a good company and Guotai-J&A will be a Titan in the industry."

But the driving force behind the merger was not as much a business consideration as a political imperative.

J&A Securities, the best-known securities firm based in the southern city of Shenzhen and backed by local military and public security authorities, was nudged into a merger with Guotai by the government after the discovery of widespread financial irregularities.

Guotai has been given the chance to catapult itself into the lead of China's securities industries, but it must restore the reputation of the brokerage and take on almost the entire J&A staff, doubling the company's numbers to more than 5,000.

Before the merger, there were plans to establish a European subsidiary. Guotai, which already has a presence in New York and Hong Kong, was looking to open an office in London and possibly Frankfurt.

The details of the European expansion will now have to wait for the conclusion of the merger and will also depend on whether the company sees the focus of Europe's financial markets changing after the launch of the euro. But the principles of the move remain the same: first to collect information for its global research department, and second to establish a network of banks and a client network.

So far, Guotai's international work has predominantly involved underwriting issues of mainland companies on the Hong Kong market or on mainland China's own foreign investor B-share markets.

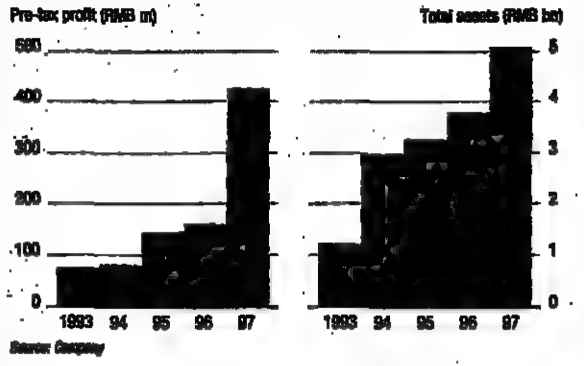
It is expected to extend its record for large share issues early this year, following the recent announcement from the China Securities Regulatory Commission, which oversees new listings, that a fifth batch of large Chinese companies had been approved to issue shares in Hong Kong.

More ambitious are Guotai's plans for an international investment fund. "We have discussed this idea with some international investment banks," says Mr Wang, outlining a proposal for a joint-venture fund that would cover the China markets, Chinese companies listed on overseas exchanges and, possibly, international companies with substantial business interests in China.

This year saw the launch of the Guotai Investment Fund, one of the first domestic funds since the government set up a formal system of regulation for the fund management industry. Mr Wang says: "We want to manage another [domestic] fund and we have the capacity to run another one, even another five, but the problem is that this is at an experimental stage and we would not be allowed to do that yet."

To make a success of an international fund, Mr Wang believes co-operation with a well known foreign financial institution would be essential. "We must have credibility with overseas investors ... and if we want to set up an overseas markets fund, then we need to have better understanding of foreign markets. Our two problems will be credibility and understanding, so we will have to co-operate with international investment banks," he says

Guotai Securities



Source: Company

Indian group in cement buy

By Krishna Guha in Bombay

Larsen and Toubro, India's largest construction group, has made its first acquisition by buying a controlling stake in Narmada Cement, a Gujarat-based producer, for Rs1.7bn ($40m).

The deal marks a further quickening in the restructuring in India's cement industry. Last month, Tata Iron and Steel revealed the sale of its cement division to Lafarge of France for Rs5.5bn. Earlier, the Aditya group announced the merger of its cement interests into the group company Grasim Industries.

Following the purchase, Larsen and Toubro will be India's joint biggest producer of cement with Association Cement Companies, with a capacity of 12m tonnes per annum.

"This was an opportunity for us to acquire an existing plant at a very convenient location at a very reasonable price," said S.D. Kulkarni, chief executive.

In the past the company has grown organically, adding capacity by building modern greenfield plants. But India's economic slowdown has cut the price of existing cement units.

Larsen and Toubros is buying the 70 per cent stake in Narmada Cement, which made a loss of Rs60m last year, from the Chowgule group.

"The enterprise value of this comes to about Rs2,000 per tonne of capacity," said Mr Kulkarni. "To set up a new plant of that size would cost more than Rs4,000 per tonne."

Mr Kulkarni said it was the right stage in the business cycle to make acquisitions. "Today the market is depressed. That is the reason why you are getting it at such an attractive price," he said. "If you have a long term objective, I think this is the right time."

He said the location of the Narmada plant – 7km from Larsen and Toubro's own cement plant in Gujarat – would make synergies and cost savings possible.

The group said it would consider more acquisitions, but remained cautious. "It will be on a very selective basis. We are not going to rush into acquisition unless there is real synergy and the price is right."

Creditors warn on PAL rescue talks

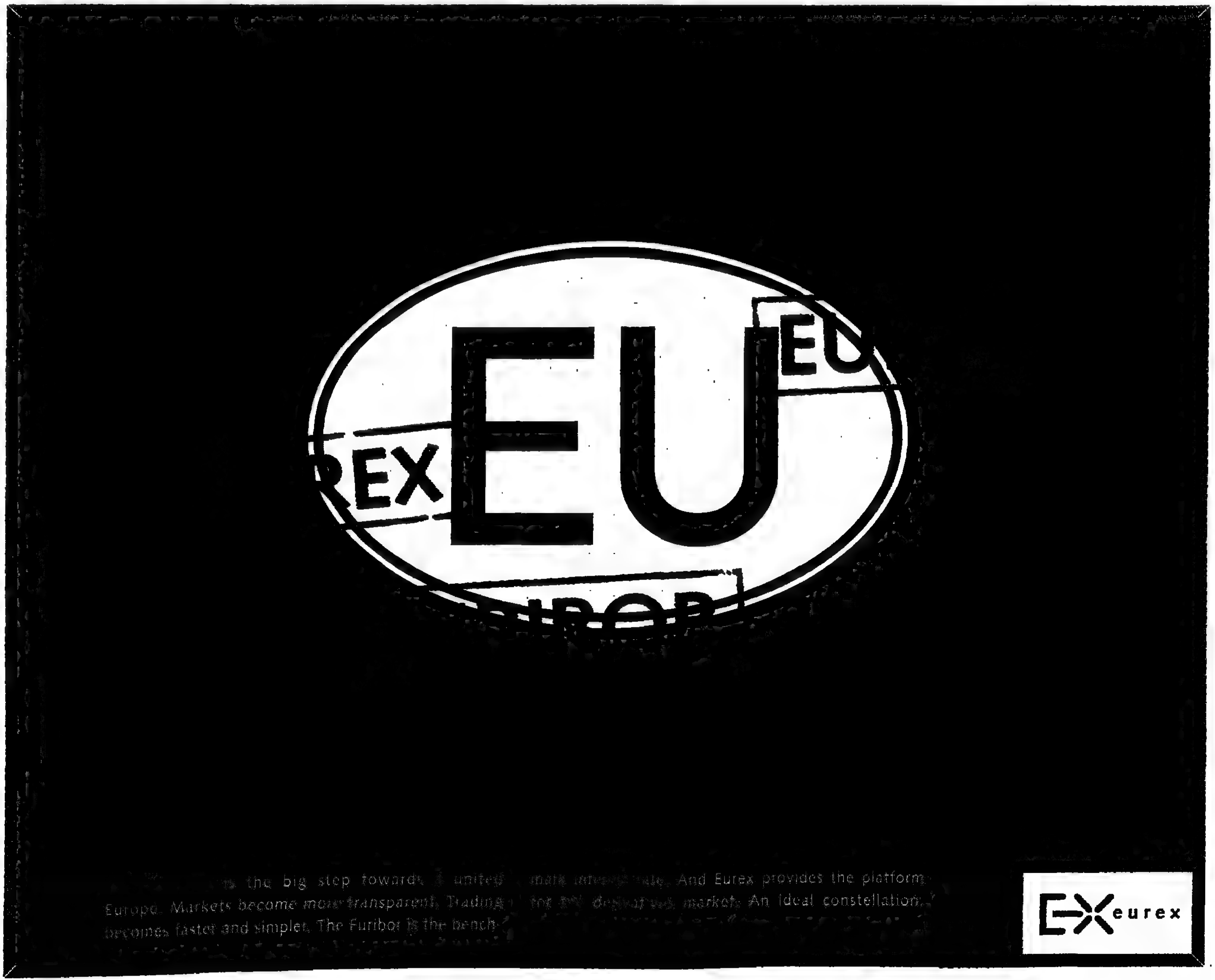
Philippine Airlines, the troubled national carrier, came under renewed pressure yesterday as its big European creditors threatened to pull out of negotiations on the airline's rehabilitation plan unless it resumed paying debts, writes Abby Tan in Manila.

Another group of creditors, the US Export-Import Bank totally rejected the rehabilitation plan as "fatally flawed".

The European Export Credit Agency, representing UK, German and French interests holding $1.2bn of PAL's $2bn debt, said in a letter to the Philippine Securities Exchange Commission that it was not satisfied with PAL's offer to pay $10m. PAL said it would draw the money from its cash reserves.

Meanwhile, the US Exim Bank told the SEC that the rehabilitation plan, which included an injection of a $150m bridging loan from local investors, was insufficient for its operations. It also demanded that PAL take a strategic partner and said it had "lost confidence" in PAL management.

Edgardo Espiritu, finance Secretary, said yesterday the SEC would have the final say and creditors opposing the recovery plan would have to go to the courts.



BANKING GERMAN GROUP BUYS 0.75% OF ITALIAN BANK

Deutsche takes stake in UniCredito

By Paul Betts in Milan

Deutsche Bank yesterday extended its push into Italy by acquiring a 0.75 per cent stake in UniCredito, Italy's largest bank by market capitalisation and third biggest in terms of assets. The stake is worth about L350bn (€180m) ($212m) at current market prices.

The German bank, which recently bought a 4.5 per cent stake in Banca Commerciale Italiana (BCI), said it had bought the stake from the Cariverona and Cassamarca foundations, two of UniCredito's main shareholders.

However, it denied stock-market speculation that it had already accumulated a 5 per cent stake in UniCredito, the enlarged banking group formed last year through the merger of Credito Italiano with three north Italian regional banks – Cassa di Risparmio di Verona, Cassamarca and Cassa di Risparmio di Torino.

Deutsche Bank, which also owns a 2.36 per cent stake in the Fiat automotive group and is the only foreign bank with an extensive retail banking network in Italy, said the acquisition was a financial investment.

After a request for more information from Consob, the Italian stock exchange watchdog, UniCredito yesterday said it was unaware of any particular strategic intentions on the part of Deutsche Bank and that it had no information to suggest the German investment was anything other than financial.

However, these statements did little to dispel the prevailing view in the Italian financial markets that the German move was part of consolidation in the Italian banking sector.

German banks and insurers have been active in seeking a significant role in the reshaping of the Italian financial sector.

Deutsche Bank's investment in UniCredito also coincides with complex and strained merger negotiations between BCI and Banca di Roma. Deutsche Bank is understood to oppose the proposed merger. By acquiring a stake in UniCredito, the German bank appears to be spreading its options in Italy and positioning itself for new developments in Italian banking mergers.

Commerzbank last autumn increased its stake in BCI from 3 per cent to 5 per cent to counter Deutsche Bank's acquisition of a 4.5 per cent stake in the Milan bank. Allianz, the German insurer, is now interested in increasing its 3 per cent stake in UniCredito to 5 per cent and is likely to monitor closely Deutsche Bank's latest Italian manoeuvres. Dresdner Bank also said this week it wanted to expand in Italy.

‘Me too’ bank wants its share of foreign action

Germany's Dresdner is on the look-out for an overseas partner, writes **Tony Barber**

One month after Deutsche Bank's marriage to Bankers Trust, the eighth largest US bank, the hunt is on once more to find a suitable foreign partner for Dresdner Bank, Deutsche's closest rival in Germany.

Recently dubbed the "me too" bank by one European researcher, Dresdner is pursuing a dual strategy which mirrors that adopted by Deutsche: an increased presence in international investment banking and expansion in the euro-zone now Europe's single currency is a reality.

But some banking specialists say that Dresdner, Deutsche and Commerzbank, the third big Frankfurt bank, may be indulging in wishful thinking if they believe they can make a breakthrough in investment banking big enough to compensate for their inability to generate substantial profits in their core domestic banking operations.

Torstein Jorstad, a researcher at Paribas, said investment banking earnings were thought to have represented 50 per cent of Dresdner's operating profit in 1997, but commented that such earnings were by no means guaranteed from one year to the next.

"Without more critical mass in investment banking, on a scale such as UBS [of Switzerland], for example, further investments and risk capital will be needed. Yet that will only skew the bank's earnings towards increased volatility and possibly an even higher cost base. Not the profile favoured by ratings agencies," Mr Jorstad said.

Like Deutsche and Commerzbank, Dresdner has concluded that the pursuit of profit virtually dictates an attempt to scale the tempting, if occasionally treacherous, slopes of international investment banking.

For the German market is over-banked and largely captured by public-sector banks that benefit from political patronage. For many years it has simply been too difficult for a big commercial bank to make enough money at home.

Asset management operations are useful – and Dresdner has an impressive DM400bn (€205m, $241m) or so of assets under management – but it is the high margins offered by investment banking that are most appealing. For such rewards to fall into Dresdner's lap, however, it is essential to select a suitable partner. Dresdner's chief executive, Bernhard Walter, caught some matchmakers by surprise this week when, in his first public comments of 1999, he indicated he would be prepared to pay as much as DM15bn-DM20bn to secure the right match.

"It depends on what type of financing you use. For example, something could be brought about by means of a stock swap. The amounts do not limit us. Much more decisive is the question of management capacity," Mr Walter said, referring to the problem of integrating a cautious, tradition-rich German bank with a younger, adventurous US investment bank.

Among those mentioned as possible partners for Dresdner are Credit Suisse First Boston, PaineWebber, and Donaldson Lufkin & Jenrette. Less likely candidates include Bear Stearns, Lehman Brothers and J.P. Morgan.

Mr Walter insisted he would avoid any bank that seemed too expensive or a bad fit with Dresdner. The fact remains that Dresdner is slotted in for a New York listing next summer. This might mean a purchase fairly soon, since it would enable Dresdner to finance it through an equity swap.

Such an arrangement would make sense to many banking analysts, who raised their eyebrows when Deutsche paid $10.1bn, mainly in cash, for Bankers Trust. Deutsche is short of money: the bank later bought the Belgian business of Credit Lyonnais for DM1bn, and yesterday acquired a 0.75 per cent stake in Italy's Unicredito for an undisclosed sum.

Yet Deutsche has earned a reputation in recent years for over-spending on a largely unsuccessful effort to become an investment banking heavyweight. "It puts yet more capital into an area that was under-performing," said Peter Thorne of Paribas.

Other banking sources said the Bankers Trust purchase underlined just how desperate Deutsche had become to enter Wall Street, even if it meant accepting a second-best partner.

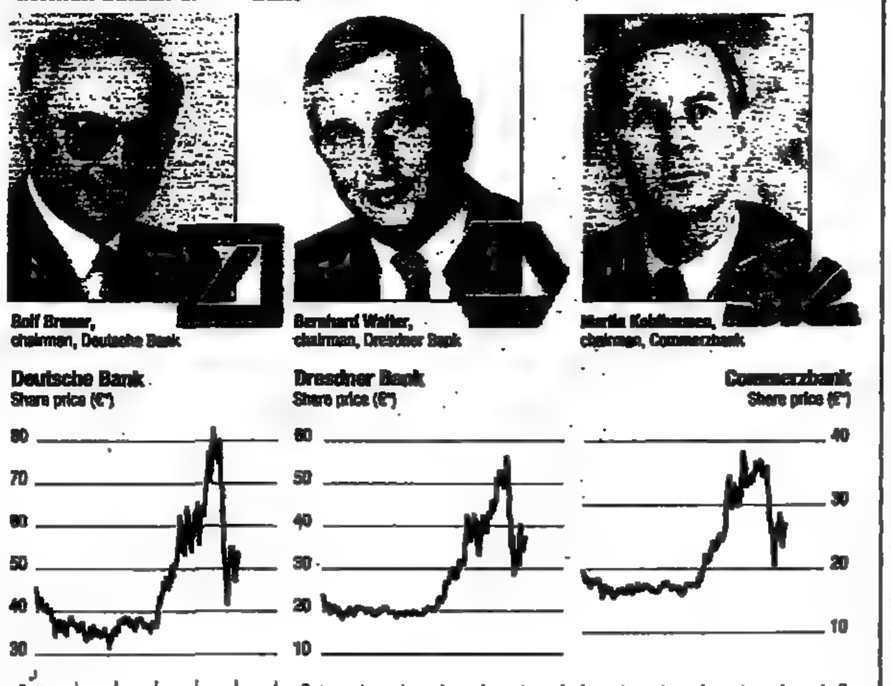
Various US banks had already rejected soundings from the New York Federal Reserve about whether they were willing to acquire Bankers Trust, which had made a third-quarter loss of $488m and was in need of a helping hand, the sources said.

Commerzbank, the smallest of the big Frankfurt banks, wins generally high marks for its efforts to keep costs under control and to develop a more solid financial profile.

But Mr Jorstad said: "Sadly, it seems Commerzbank, too, now has given way to the allure of investment banking, which is likely to ruin its otherwise reasonably decent cost base [for a German bank] if it continues on the current expansion plan."

Deutsche, Dresdner and Commerzbank are all searching for ways to break free from the restrictions that hinder private-sector banks in Germany. This year may provide a clue as to whether investment banking is the best escape route.

German banks: on the hunt


Rolf Breuer, chairman, Deutsche Bank

Bernhard Walter, chairman, Dresdner Bank

Martin Kohlhaussen, chairman, Commerzbank

Source: Datastream/ICV

* [illegible] translated into euros using locked-in rate of 31/12/98

Vivendi launches bond in euros

By Vincent Boland

Europe's convertible bond market burst back to life after the holiday shut-down yesterday when Vivendi, the French utility, launched the first bond issue of its type denominated in euros to raise up to €1.7bn ($1.99bn).

Vivendi's bond issue will be convertible into new or existing shares and is the second biggest from a European issuer behind France Telecom, which raised FFr12bn (€1.83bn, $2.15bn) late last year to coincide with the sale of a tranche of its shares by the French government.

The bonds, proceeds of which will be used to restructure Vivendi's debt profile, have a five-year maturity and carry a conversion premium of 22.6 per cent. Vivendi shares closed unchanged in Paris yesterday at €231.90, compared to a conversion price of €282.

Vivendi's convertible issue is the latest in a rising flow of convertible and exchangeable bond issues from European companies. Over $40bn was raised in international offerings by issuers in 1998, according to Warburg Dillon Read, with a substantial portion coming from Europe, where the market has been boosted by the launch of the euro.

Jean-François Mazaud, head of equity-linked origination at Société Générale, which was bookrunner and lead manager for the Vivendi bonds, said the issue had attracted demand of €8.7bn, mainly from France, the UK, Germany and Switzerland. Vivendi issued €1.5bn of bonds, which can be increased to €1.7bn because of over-allotment.

Analysts said the European convertible/exchangeable bond market was likely to remain buoyant in 1999. Although a heavy calendar of equity offerings is in place, companies seeking to take advantage of low interest rates to restructure debt or to exit from non-core holdings were increasingly using convertible markets.

The sector has emerged as a distinct asset class in Europe with a growing pool of investors willing to buy the bonds, which tend to be big and liquid issues such as those of French utilities. A €1.5bn exchangeable bond from Deutsche Bank last month can be switched into shares in Allianz, the German insurance group.

NEWS DIGEST

POWER

State replaces boards of Czech electricity group

The Czech government yesterday removed the main board and supervisory board of power company CEZ, the country's second biggest listed company by market capitalisation, and replaced them with its own nominees. The move came after a similar move last month when the government reshuffled the board of SPT, the majority state-owned fixed-line telecommunications monopoly. Both moves have come under criticism from the political opposition for being politically motivated and "destabilising" both companies' operations.

The Social Democrat government, which took office in July, said the new boards must cut costs and improve efficiency. CEZ, which is 67 per cent state-owned, is badly behind schedule and over budget on the construction of a nuclear power station at Temelin.

The new chairman board is widely expected to be Milan Cerny, a former deputy minister for industry and trade. The new board nominees include several critics of CEZ's outgoing board and directors of other power industry companies, which analysts said was cause for concern.
Robert Anderson, Prague

TELECOMMUNICATIONS

Tele Danmark in Dutch buy

Denmark's leading telecommunications company, Tele Danmark, yesterday boosted its Baltic activities with the acquisition of Millicom East Holding, a Netherlands-based holding company with stakes in Lithuania's two premier mobile telephony operators. The purchase gives Tele Danmark a 71.6 per cent stake in UAB Bité GSM and a 49 per cent stake in Comliet UAB which have around 40 per cent and 10 per cent respectively of the Lithuanian mobile telephony market.

The Danish company, which has been active in the Lithuanian market for around five years, previously held 36 per cent in Bite and 24.5 per cent in Comliet. The company declined to specify the price of its acquisition.

The seller was Millicom International Cellular, which has stakes in some 30 mobile telephony companies worldwide. It recently disposed of a large stake in another Baltic mobile operator, AS Ritabell.
Clare MacCarthy, Copenhagen

French phone market grows

The French mobile phone market grew 11.2 per cent last month, with 11m – or almost a fifth of the population – subscribing to one of the three main services by the end of the year. France Telecom, the partly privatised national operator, had its busiest month ever, recruiting roughly 700,000 new subscribers. This brought its customer base to 5.47m, some 50 per cent of the market.

■ Alcatel, the French manufacturer of telecommunications equipment, said yesterday it had signed a contract to supply FFr800m (€122m) ($144m) of equipment over three years to TCSB, a Malaysian mobile phone operator. Alcatel will supply new switching platforms and hundreds of base stations. **Semer Iskander, Paris**

TRANSPORT

Ikarus cuts 780 staff

Hungary's troubled bus maker, Ikarus, yesterday said it would sack 780 workers, or over 12 per cent of its total workforce, as a cost-cutting measure in the wake of losses totalling over Ft2bn ($9.3m) on sales of Ft48bn last year. The development came as the company unveiled a new minibus it hopes will revive sales in western Europe.

Ikarus, which in the Socialist era turned out up to 15,000 buses a year, produced only 1,162 vehicles in 1998 against the planned 2,200, after the Russian crisis crippled export sales and left the company on the brink of bankruptcy. **Kester Eddy, Budapest**

Deeper cuts feared in ING Barings review

By Gordon Cramb in Amsterdam

The future of ING Barings, the investment bank rebuilt under Dutch ownership after the 1995 collapse of London's Baring Brothers, is to be decided next month amid fears that cuts in its operations may be deeper than previously indicated.

Godfried van der Lugt, who took over last year as chairman of ING, has told staff of the Amsterdam banking and insurance group that "we shall have to accept a structural decrease in business volume in our corporate and investment banking activities in the emerging markets".

He said in a new year message that directors of the parent institution had already studied in outline proposals for a shift in strategy for ING Barings, and would review these more closely this week.

Adding that "too much is at stake for us to allow ourselves to be pressured into making a hasty and ill-considered decision", Mr van der Lugt said the process was "unlikely to be completed before mid-February". Ahead of that, non-executive directors on the ING supervisory board would have to be consulted.

He repeated that the bank would remain active in emerging markets as well as in the US, "but the emphasis will clearly be on the countries of western Europe".

Problems arising from the Asian and Russian economic crises required ING to cut its earnings forecast for the first time ever. Some 1,200 jobs in investment banking are already going as part of a drive to reduce costs by a quarter.

According to Lewis Phillips, banking analyst with Fox-Pitt Kelton in London, it is "probably inevitable" the number of redundancies will increase.

Investment banking will become more of an adjunct providing services to ING's corporate clients in commercial banking, Mr Phillips believes, adding: "It is questionable whether that is a viable business if you are only a part-time player."

The plans are being drafted by David Robins, ING Barings' new chief executive, and Michel Tilmant, the ING main board director given responsibility for the unit after Marinus Minderhout was forced out last October.

Kvaerner nets NKr2.2bn from asset disposals

By Tim Burt in Stockholm

Kvaerner, the loss making Anglo-Norwegian engineering and construction group, yesterday said its non-core asset disposal programme had raised NKr2.2bn ($293m) in the past three months.

The company, which has embarked on a wide-ranging restructuring programme, predicted that the sale of assets, including its US plastics machinery business, Norwegian commercial properties and ships' equipment operations would lead to a one-off gain of NKr532m.

Yesterday, however, Kvaerner admitted that the proposed NKr400m disposal of its US housing development project in South Riding, Virginia, had fallen through.

A consortium of project developers in the US, who agreed to buy the site last year, failed to raise sufficient financing to complete the transaction.

The company, which has sold the bulk of its US housebuilding interests to Beazer, the UK construction group, said it hoped to agree terms shortly with a new buyer for the South Riding project.

In a separate development, Kvaerner said it had not completed a proposed NKr2.5bn securitisation package for work on two large cruise ships, under construction at its Turku shipyard in Finland.

Under the scheme, the group had hoped to secure project financing for two of the so-called Eagle-class cruise ships, each weighing 140,000 tonnes, during the last quarter of 1998.

The ships, ordered by Royal Caribbean cruise lines of the US, are part of a $1.5bn order.

Kvaerner said it was still seeking a securitisation package, with the agreement of Royal Caribbean, to help it offset construction costs of the vessels.

Kvaerner's most commonly traded A shares rose NKr1 to NKr158 in Oslo yesterday. The company's share price has risen about 28 per cent since Mr Almskog was appointed in October.

هكذا من الاصل

OIL EXPLORATION LINK-UP WOULD CREATE $885M PLATFORM DRILLING CONCERN

Abbot and ProSafe in merger discussions

By Thorold Barker in London and Valeria Sköld in Oslo

Abbot, the UK oil services group, and ProSafe, a Norwegian competitor, yesterday said they were in merger discussions which would create the world's leading platform drilling company, worth about $885m.

The terms of the merger, which could be agreed within weeks, would see the enlarged company owned equally by shareholders in ProSafe and Abbot. It would be listed in London.

The talks follow a series of moves last year by larger US competitors. Schlumberger bought Camco for $3.3bn in June and Baker Hughes acquired Western Atlas for $5.9bn in May.

Shares in ProSafe jumped 58 per cent to NKr88.50, valuing the company at NKr2.3bn ($296m). Abbot shares closed up 13½p at 192¼p, giving it a market capitalisation of $443m.

Michael Salter, Abbot chief operating officer, said the deal would give the enlarged company critical mass to pursue new platform drilling opportunities in areas such as the Caspian Sea and West Africa.

But he admitted there would be minimal cost savings because the company's head office would remain split between Aberdeen in Scotland and Tananger in Norway.

Norwegian analysts were surprised by the Abbot offer, which values ProSafe at a premium of more than 100 per cent to yesterday's closing price.

However, Reidar Lund, ProSafe chief executive, defended the price, saying the company's shares, which reached a high of NKr168 last May, had been dragged down along with other oil shares in the Norwegian market.

He said ProSafe's business, like Abbot's, was relatively insulated against the fall in oil prices because it is focused on production drilling, while oil companies have concentrated their cuts on exploration drilling.

Abbot made pre-tax profits of £15.2m ($24.5m) from turnover of £156m ($251m) in 1997, while ProSafe made NKr182m ($23.5m) from turnover of NKr1.8bn ($233m).

If the deal goes ahead, Alasdair Locke, Abbot executive chairman, would become executive chairman of the merged company and Mr Lund would become chief executive.

The four remaining executive directors would be split equally between Abbot and ProSafe.

Abbot is advised by Albert E Sharpe. Goldman Sachs is advising ProSafe.

British Steel shakes up team

By Kevin Brown

British Steel begins today a top management shake-up as John Bryant, a senior director, takes over as chief executive from Sir Brian Moffat, chairman and chief executive since 1993.

Mr Bryant, a life-long steel man, is a highly regarded operational manager with a background in British Steel's strip products division, but has yet to reveal whether he has a strategic vision for the company.

He joined the board in 1996, and is currently responsible for strip products, tinplate, narrow strip products and the Trico Steel joint venture with Sumitomo and LTV in the US.

Sir Brian, who will remain chairman, is relinquishing the top executive job because he has reached 60. He was finance director when British Steel was privatised in 1988.

Mr Bryant takes over at British Steel's lowest point in recent years. The company recently reported first-half profits down 24 per cent at £106m ($181m) before tax, and forecast a loss for the year because of the high pound and falling steel prices. Analysts are forecasting losses of £140m (£315m profit) for 1999-2000 before a return to profit in 2001.

However, losses could continue in the absence of a recovery in Asian demand, output cuts by Asian producers or protective action by the European Union.

The company is also suffering big losses at its Avesta Sheffield stainless steel producer in Yorkshire, which is 49 per cent owned by Avesta of Sweden.

Analysts said Mr Bryant would need to keep a firm grip on the group's cost cutting programme.

"It is very important that John Bryant demonstrates that he understands how to manage a steel company from the cost side," said Terry Sinclair at Salomon Smith Barney in London.

John Bryant: taking over at a low point in the company's recent history

LucasVarity explores US link

By Charles Pretzlik in London and Nikki Tait in Chicago

LucasVarity, the automotive parts and engineering company, is understood to have considered forging a closer alliance with TRW, the Ohio-based motor components and aerospace group.

Such a move would represent an expansion of the joint venture established by the two last year to make electric power steering systems. However, it is understood there are currently no formal discussions between LucasVarity and TRW about closer links.

Analysts said a full merger with TRW was unlikely. But they said a merger between LucasVarity and TRW's automotive components business could prove attractive, giving the UK group the steering and suspension products for integrated chassis control systems.

LucasVarity is in the middle of a strategic review. It is thought to be examining the scope for disposals and mergers, or joint ventures of some divisions with others in the consolidating vehicle components industry.

It will unveil the results of its review on March 25.

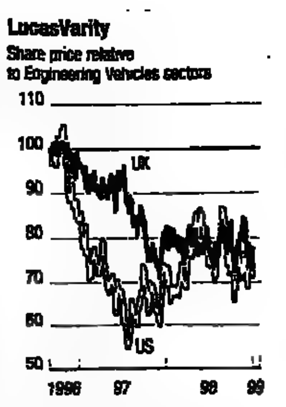
Speculation about a merger has helped lift LucasVarity shares 7 per cent this week to 215¼p, giving it a market value of £3bn.

Tenneco, a rival US auto parts and packaging group, has also been suggested as partner for LucasVarity, but the likelihood of such a deal is said to be remote. Tenneco, based in Connecticut, said: "We are in discussions with a number of parties across our businesses." LucasVarity and TRW declined to comment.

A combination of LucasVarity and TRW's automotive business could help Victor Rice, LucasVarity's chief executive, obtain the US stock market quote he believes is necessary to play a full part in the consolidation of the industry.

COMMENT

LucasVarity


LucasVarity
Share price relative to Engineering Vehicles sectors

Source: Datastream/ICV

It is tempting to assume that LucasVarity's only reason for exploring US merger options is Victor Rice's hankering after a New York listing. At first glance there seems no great need for a deal. Since Lucas Industries and Varity Corporation merged in September 1996, the group's shares have underperformed US and UK peers by a quarter. But that has stabilised in the past year. Meanwhile, Mr Rice has delivered promised cost savings, working capital improvements and increases in margins while building up the order book.

LucasVarity frets that it has fallen from second to eighth in the automotive suppliers league since 1996. But it ranks in the top three in its chosen markets, such as braking systems, and it largely has the geographic spread it wants.

The snag is that its product portfolio does not look so well placed for the decade ahead. It needs a partner to build up new product lines such as integrated chassis controls. The other unspoken reason for a deal lies in the fact that trading is getting tougher, putting the old savings and margin targets at risk. A deal would allow for further cost cutting.

Investors should remember, though, that it is likely to be the junior partner in any merger. Its £3bn market value compares with TRW's £4.1bn capitalisation, for example. LucasVarity might not be negotiating from a position of strength, but that would not excuse selling out on the cheap.

UK mobile phones

A deal that strengthens Vodafone sounds like bad news for UK rivals like Orange and Cellnet. A Vodafone/AirTouch combine with deep pockets may finally launch the price war which consumers have been waiting for. Alternatively, a deal that expands Vodafone's European portfolio should translate into cheaper international calls for Vodafone users, thereby giving its products a competitive edge. But since when has the market dwelt on potentially bad news for its cellular stars? Orange's shares jumped, partly on hopes of sector consolidation. True, mobile operators may well turn to acquisitions to boost growth rather than bid for a dwindling number of new licences in an increasingly competitive Europe. Whether Hutchison, which owns some 49 per cent of Orange, is prepared to sell is another matter.

Hays in fresh French move

By Virginia Marsh

Hays, the acquisitive logistics and services group, is buying another express delivery group in France, just weeks after buying one of its target's main competitors.

Hays said yesterday it had paid an initial FFr150m ($27m) for a 97 per cent stake in France Partner, with up to a further FFr50m payable in 2000 and 2001 depending on the company's performance.

Together with the December purchase of Colirail, another French courier company, this will give Hays more than a 20 per cent share in the French early-morning express delivery market.

Ronnie Frost, chairman, said the two businesses would be integrated over the next three months but that the management teams of both companies would stay on.

As well as providing Hays with a foothold in the French market, the acquisitions would bring the group's UK-based DX postal service a stronger infrastructure from which to expand across continental Europe.

"At the moment the market is very fragmented but it is coming together very quickly," said Mr Frost.

Both French companies are based in Paris. Colirail, which Hays acquired for an initial FFr135m in December, specialises in serving the insurance business and is strong in north-east France.

France Partner, which specialises in the medical and optical sector, has a better network in the south west.

Scottish Power woos US states

By Andrew Taylor

Scottish Power has applied to regulatory authorities in five US states seeking their approval for its £4.2bn ($7bn) all-share bid for PacifiCorp.

The company is offering 232 shares, or 58 American Depositary Receipts, for every 100 PacifiCorp shares. It does not expect the authorities to rule on the takeover before the summer.

It will also need to obtain federal approval from regulatory and competition authorities and this is unlikely to be granted before the autumn. The UK company said it did not expect US national or regional authorities to block the bid.

The offer values each PacifiCorp share at $23.11 (£13.92) based on Scottish Power's price yesterday of 600p, down 5p. Before the bid was announced last month, Scottish Power's shares were standing at 673p.

PacifiCorp operates in the west of the US where it supplies power to 1.4m customers. It also supplies 550,000 customers in Victoria, Australia, where it has a 19.9 per cent stake in a coal-fired power station.

The deal, although described as a merger, represents a takeover by Scottish Power, which will give its name to the combined business. The global headquarters will be in Glasgow.

Ian Robinson, Scottish Power's chief executive, will be chief executive of the merged group. Ian Russell of Scottish Power remains finance director for the combined business.

It will be the first time a UK power company has bought a large US electricity supplier, reversing the recent transatlantic trend of US groups buying regional UK electricity companies.

Mutual society defends status

By Christopher Brown-Humes

Bradford & Bingley, the UK's second biggest building society, launched a defence of its mutual status yesterday, saying it would vigorously oppose a campaign to force it to convert to a bank.

It immediately stopped non-members opening savings accounts to prevent speculation. This was after confirming that a conversion resolution submitted by one of its members – Stephen Major, a Northern Ireland quantity surveyor – was valid.

It said the suspension would remain in force until after its April 26 annual meeting when the vote would be held. New mortgage business will continue to be accepted.

Last year Nationwide, the country's biggest building society, narrowly won a battle against dissidents who wanted to force it to convert to a bank.

B&B believes it can secure a wider victory margin because it has had longer to demonstrate the benefits of mutuality through higher savings rates and lower mortgages.

Lindsay Mackinlay, B&B chairman, said the board was unanimously opposed to conversion. The society has 2.5m members.

Meyer makes Dutch disposal

By Lucy Smy

Meyer International, the UK's biggest builders' merchant, has sold its underperforming Dutch businesses for £56m ($94m) to William Pont Holding of the Netherlands.

Alan Peterson, chief executive, said the Pont Meyer timber and building materials division had failed to match the performance of other parts of the group, principally the UK-based Jewson builders' merchant.

Mr Peterson said: "If you look at the return on capital of the rest of the group, most of the business is making 19-24 per cent – the Dutch side was making around 9 per cent."

When Meyer reported half-year results in November, Mr Peterson hinted that a disposal could be in the offing if Pont Meyer could not be turned around. "It would have been such a long haul to pull it up to the group average. It has been a very low-performing business for us," he said.

The consideration will be paid on completion of the deal, which has to be approved by Dutch merger authorities. It was not a great price, Mr Peterson said, but it was fair compared to the profit that Pont Meyer would have made in the coming year.

Mr Peterson said the money would initially be used to reduce borrowing, but Meyer was still on the look-out for acquisitions. Meyer is keen to expand its core Jewson business – which nearly doubled in 1997 with the £305m Harcros buy.

In November Tony Palmer, chairman, said the company would be looking "energetically" for targets in the UK, and was also seeking ways to expand its US business. Mr Peterson said: "We are looking to build our position in the US, and get more market share."

Although the shares closed 11½p lower at 335p, the disposal was cautiously welcomed by analysts.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bursdene Invest	Yr to Oct 3	*101.8*	*(91.3)*	*8.28*	*(8.01)*	*8.06*	*(4.05)*	1.7	Feb 15	1.3	2.5	2.05
Euclidian	6 mths to Sept 30	-	(-)	1.71	(1.41)	5.03	(3.95)	2	Jan 29	2	-	15
Precoat Intl	6 mths to Oct 31	32.5	(28.4)	1.98	(1.94)	8.65†	(8.87)	2.6	Jan 29	2.6	-	6.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Foresight VCT	13½ mths to Sept 30	94.81	(-)	0.319	(-)	3.14	(-)	2.9	Jan 29	-	2.9	-
Pennine Aim VCT	7½mths to Aug 31	95.8	(-)	0.106	(-)	1.38	(-)	1	Jan 29	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital.

MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
FTSE Actuaries Indices				
FTSE 100	5686.3	5595.6	5003.8	5171.9
FTSE 250	4761.9	4885.0	4516.2	4657.9
FTSE 350	2586.2	2561.4	2417.2	2472.8
FTSE Non-Financial	2646.90	2630.55	2412.68	2480.53
FTSE Financial Group	4948.99	4877.76	4319.56	4410.37
FTSE All-Share	2591.98	2571.19	2337.51	2397.79
FTSE Eurotop 100	2617.70	2565.69	2266.27	2419.84
FTSE Eurotop 300	1133.97	1110.10	987.24	1051.7
FT/S&P-A World Index	296.66	288.06	260.34	258.09
FTSE Indices				
FT Govt Securities	114.95	111.99	111.32	110.1
FT Fixed Interest	155.71	151.17	149.65	149.68
FT 30	3431.8	3383.8	3043.2	3199.9
FTSE Gold Mines	960.02	1109.02	1137.13	957.91
SEAQ Bargains (5.00pm)	53,997	63,865	63,039	57,844

	Highest close Dec	Lowest close Dec
FTSE 100	5941.5 29th	5507.2 2nd
FTSE 250	4854.7 30th	4681.3 15th
FTSE 350	2794.8 29th	2619.0 2nd
FTSE All-Share	2693.98 29th	2530.80 2nd
FT 30	3574.9 29th	3341.8 2nd

NOTICE TO HOLDERS

NOTICE IS HEREBY GIVEN that pursuant to the Terms and Conditions of the named issue below, LTCB Asia Limited, Hong Kong, will resign from its role as Paying Agency with effect from 15th March, 1999.

National Bank of Hungary
U.S.$100,000,000 Floating Rate Notes due 2000

LTCB Trust Company
(as Fiscal/Principal Paying Agent)

Dated 6th January, 1999

NOTICE TO HOLDERS

NOTICE IS HEREBY GIVEN that pursuant to the Terms and Conditions of the named issue below, The Long-Term Credit Bank of Japan, Limited (Singapore Branch) will resign from its role as Paying Agency with effect from 15th March, 1999.

Petroleum Authority of Thailand
U.S.$145,000,000 Floating Rate Notes due 2005

National Bank of Hungary
U.S.$100,000,000 Floating Rate Notes due 2000

LTCB Trust Company
(as Fiscal/Principal Paying Agent)

Dated 6th January, 1999

CONTRACTS & TENDERS

IN THE NAME OF GOD
INVITATION TO COOPERATION

مجتمع فولاد مبارکه

Mobarakeh Steel Company intends to purchase 1 unit of profile meter and 1 unit of flatness gauge suitable for controlling of hot strip mill sheet;

The potential manufacturers of these units are hereby invited to send their technical documents along with their reference list to the following address until Jan. 30, 1999

Mobarakeh Steel Company, Purchasing Affair,
Plants; Facilities and Spare Parts Purchasing Dept,
15 km Southwest of Mobarakeh
P.O. Box No. 167
Esfahan, Iran

For any further information please contact
Tel no. 0098.31-325347 & 325773 & - 325325 (3264.3632)
Fax No. 0098.31-327512

After the receipt of the documents requested in this invitation, the approved manufacturers will be contacted by Mobarakeh Steel Company.

EURO PRICES

EQUITIES

Euro euphoria slowed by profit-taking

EUROPEAN OVERVIEW

By Vincent Boland

Most European stock markets continued to move ahead yesterday although the hectic pace set on Monday on the euro's debut slowed and profit-taking knocked German stocks.

The euro was also overshadowed by the yen, which surged against the US dollar in anticipation of Japanese investors repatriating funds.

However, the euro's strong start and the expectation that it will lead to increasing flows into mutual funds investing in European bourses is helping to brighten the outlook for 1999, some analysts said. The strategy team at J.P. Morgan said they were "slightly more positive" about European equity markets.

The bank said higher-than-expected US economic growth, the likelihood of a bounce in Europe in the third quarter, mutual fund liquidity and accelerated share repurchases were causes for optimism, but added: "However, we still believe that returns will be modest over the year, held back by weak corporate earnings growth as inflation stays low."

The FTSE Eurotop 300 index of leading European shares rose 17.16 or 1.41 per cent to 1,231.20, while the FTSE Eurotop 100 index rose 54.39 or 1.94 per cent to 2,858.54. The FTSE Ebloc 100 index of euro-zone shares rose 11.27 or 1.07 per cent to 1,062.89.

Telecommunications stocks were again a notable feature as speculation continued about possible transatlantic mergers. Vodafone confirmed it was in merger talks with AirTouch of the US, itself the target of an offer from Bell Atlantic. The UK mobile operator rose €0.80 to €15.50, while the sector index climbed 3.82 per cent.

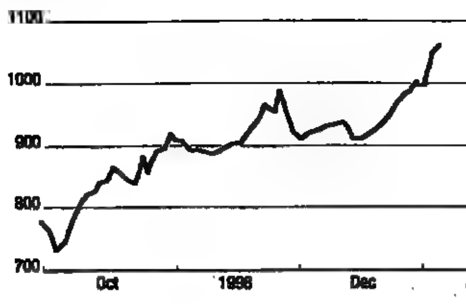
The banking sector also remained strong and the index rose nearly 1.5 per cent in anticipation of further consolidation this year after the euro debut. Société Générale rose a further €7 to €157, UBS climbed €13.40 to €285.64, and Paribas added €2 to €84.25.

Pharmaceuticals stocks were in demand as analysts repeated their optimistic forecasts for the sector this year. Sanofi rose €9.40 to €160.40.

But high-flying software group SAP took a hammering after posting disappointing results for 1998. Its shares tumbled €61 to €285.

FTSE Ebloc 100

Index



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	-	96.810	+0.010	-	-	0	0
Jun	-	97.000	+0.015	-	-	0	2233
Sep	-	97.025	+0.030	-	-	0	1101
Dec	-	96.780	[illegible]	-	-	0	665

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
97000	0.005	0.015	0.035	0.160	0.125	0.135	0.155	0.160
97125	0	0	0.010		0.245	0.245	0.255	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2850.0	2876.0	+46.0	2878.0	2826.0	590	6139

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2500 C	2500 P	2550 C	2550 P	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P
Jan	358	5	310	6	263	8	214	12	169	17	118	28	81	38	60	80
Feb	386	23	363	41	311	49	272	59	234	72	198	87	160	105	137	127

Est vol total 115 . Prev day's open interest total, 5,268 . Premiums shown are based on settlement prices.

OTHER INDICES

	Jan 5	Jan 4	Dec 31	1998/9 High	1998/9 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3535.30	3474.14	(c)	3570.82	2433.07	3570.82	2433.07
DJ Euro Stx 50	3504.67	3542.93	(c)	3558.48	2419.23	3558.48	2419.23
MSCI Europe	(c)	1235.36	(c)	1315.58	908.59	1315.58	510.75

Source: [illegible] of FT Information. *Subject to revision next day. (c) Unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Jan 5 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1231.20	+1.41	+17.16	2.21	0.07	1267.60
FTSE Eurotop 100	2858.54	+1.94	+54.39	2.23	0.18	1024.73
FTSE Ebloc 100	1062.89	+1.07	+11.27	1.86	0.00	1078.80
FTSE EuroMid	1169.24	+0.29	+3.38	2.40	0.00	1211.81
FTSE EuroMid Ebloc	1253.61	+0.23	+2.81	2.24	0.00	1280.14
FTSE EuroMid Ex UK	1257.29	+0.24	+2.96	2.17	0.00	1280.57
FTSE Eurotop 300 Regions						
Eurobloc	1328.24	+1.11	+14.63	1.81	0.00	1358.88
UK	1082.95	+1.74	+18.72	2.75	0.21	1147.78
Europe Ex-Eurobloc	1145.73	+1.76	+19.87	2.55	0.15	1186.86
Europe Ex-UK	1310.02	+1.26	+16.29	1.95	0.00	1334.53
FTSE Eurotop Industry Sectors						
RESOURCES	871.10	+0.05	+0.46	3.27	0.00	910.93
Mining	724.42	-0.16	-1.13	4.70	0.00	738.72
Oil & Gas	844.40	+0.06	+0.51	3.21	0.00	864.84
BASIC INDUSTRIES	1090.72	-0.74	-8.15	2.66	0.00	1111.22
Chemicals	861.50	-1.07	-9.30	2.68	0.00	876.71
Construction & Bld Matls	923.32	+0.63	+5.82	2.49	0.00	931.30
Forestry & Paper	859.83	-1.10	-9.53	3.57	0.00	898.94
GENERAL INDUSTRIALS	1119.17	+1.03	+11.40	2.53	0.00	1142.98
Aerospace & Defence	836.76	-3.07	-26.50	1.85	0.00	850.77
Diversified Industrials	1040.93	-0.08	-0.87	1.92	0.00	1064.74
Electronic & Elect Eqdp	971.88	+1.52	+14.58	1.85	0.00	978.97
Engineering & Machinery	951.89	+2.87	+26.53	4.50	0.00	964.83
CYCLICAL CONS GOODS	1306.18	+1.07	+13.85	2.51	0.00	1342.12
Automobiles	980.53	+0.84	+8.18	2.36	0.00	989.63
Household Goods & Texts	1199.36	+2.43	+28.50	3.30	0.00	1209.60
NON-CYC CONS GOODS	1274.54	+1.90	+23.77	1.41	0.00	1309.61
Beverages	973.47	+2.46	+23.32	2.70	0.00	994.48
Food Producers & Process	983.17	-0.79	-7.87	1.54	0.00	1004.84
Health	938.20	+0.56	+5.18	0.91	0.00	950.20
Packaging	773.45	-0.39	-3.00	1.16	0.00	774.41
Personal Care & Hse Prods	1227.10	+1.47	+17.74	0.78	0.00	1237.58
Pharmaceuticals	1154.28	+3.15	+35.29	1.09	0.00	1160.53
Tobacco	1245.80	+0.02	+0.20	3.78	0.00	1269.22
CYCLICAL SERVICES	1216.61	+0.76	+9.20	2.47	0.37	1254.66
Distributors	764.89	-1.79	-13.94	3.86	0.00	773.49
General Retailers	1060.34	+1.71	+17.78	2.93	1.06	1083.31
Leisure Entertmt & Hotels	788.60	+1.87	+14.47	2.53	0.02	806.02
Media & Photography	1030.07	+0.76	+7.82	1.21	0.00	1041.07
Restr, Pubs & Breweries	744.72	-2.18	-16.62	3.64	0.00	768.47
Support Services	1086.02	+1.12	+12.06	1.34	0.00	1097.54
Transport	930.55	-0.38	-3.56	2.63	0.00	947.71
NON-CYCLICAL SERVS	1314.58	+3.18	+40.47	1.53	0.00	1353.05
Food & Drug Retailers	1044.31	+0.56	+5.71	1.95	0.00	1060.35
Telecommunications Servs	1292.63	+3.82	+47.55	1.44	0.00	1312.09
UTILITIES	1531.68	+1.30	+19.62	2.86	0.02	1624.36
Electricity	1194.58	+2.08	+24.36	2.93	0.02	1232.84
Gas Distribution	1198.94	-0.02	-0.23	1.85	0.00	1225.10
Water	938.79	-1.55	-15.13	5.22	0.08	983.17
FINANCIALS	1328.10	+1.52	+20.06	2.45	0.00	1364.36
Banks	865.44	+1.45	+13.04	3.25	0.00	898.17
Insurance	1082.46	+1.76	+18.61	1.28	0.00	1095.92
Life Assurance	1235.21	+0.90	+10.95	1.56	0.00	1251.26
Investment Companies	1030.98	+4.15	+41.26	1.84	0.00	1055.72
Real Estate	656.56	+4.12	+26.00	3.60	0.00	673.63
Specialty & Other Fin	885.03	+0.94	+8.22	2.85	0.00	899.81
INFORMATION TECH	881.98	+1.04	+9.08	1.16	0.00	894.08
Information Tech Hardware	937.40	+5.43	+48.29	1.30	0.00	939.63
Software & Computer Serv	756.15	-8.58	-70.91	0.50	0.00	757.96

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CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	34.9134	-0.1403	912 - 355	35.4810	34.8580	35.0954	-6.4	35.2950	-6.5	36.6421	-5.0
Denmark	(DKr)	7.4431	-0.0017	453 - 528	7.4531	7.4441	7.4535	-0.6	7.4639	-0.8	7.4999	[illegible]
Greece	(Dr)	324.435	-2.2030	217 - 653	328.700	323.945	326.5815	-7.9	330.5228	-7.5	345.5110	-6.5
Hungary	(Forint)	250.723	-0.5130	000 - 944	251.640	250.600	252.7436	-14.5	258.0971	-13.0	283.0337	-12.9
Norway	(NKr)	8.7634	-0.0069	593 - 675	8.8335	8.7700	8.8018	-5.1	8.8843	-4.6	9.0589	[illegible]
Poland	(Zloty)	4.0241	-0.0449	177 - 305	4.0877	4.0140	-	-	-	-	-	-
Romania	(Leu)	13159.23	+50.5400	693 - 152	13182.00	13136.50	-	-	-	-	-	-
Russia	(Rouble)	26.9343	+1.6635	917 - 769	27.5246	25.7876	-	-	-	-	-	-
Slovakia	(Koruna)	42.8183	-0.1982	652 - 703	43.0700	42.7645	-	-	-	-	-	-
Sweden	(SKr)	9.3944	-0.0008	903 - 985	9.4825	9.3810	9.3962	-0.2	9.4004	-0.3	9.4313	-0.4
Switzerland	(SFr)	1.6116	-0.0029	108 - 124	1.6208	1.6051	1.6086	2.2	1.6042	1.8	1.5879	1.5
UK	(£)	0.7114	+0.0009	115 - 120	0.7160	0.6135	0.7130	-3.0	0.7167	-2.8	0.7282	-2.3
Americas												
Argentina	(Peso)	1.1782	-0.0016	780 - 783	1.1854	1.1756	-	-	-	-	-	-
Brazil	(R$)	1.4240	-0.0004	235 - 245	1.4337	1.4204	-	-	-	-	-	-
Canada	(C$)	1.7923	-0.0072	915 - 931	1.8085	1.7913	1.7951	-1.9	1.8001	-1.7	1.8229	-1.7
Mexico	(New Peso)	11.5202	-0.0800	235 - 375	11.6204	11.5029	11.8023	-28.3	12.2308	-26.4	14.4544	-23.4
USA	($)	1.1784	-0.0015	782 - 785	1.1866	1.1758	1.1802	-1.8	1.1838	-1.8	1.2010	-1.9
Pacific/Middle East/Africa												
Australia	(A$)	1.8945	-0.0121	927 - 962	1.9017	1.8911	1.8968	-1.5	1.9015	-1.5	1.9244	-1.6
Hong Kong	(HK$)	9.1287	-0.0114	269 - 304	9.1827	9.1019	9.1432	-1.9	9.1756	-2.1	9.4126	-3.1
India	(Rs)	50.1388	-0.0793	265 - 511	50.5278	49.9950	50.4268	-6.9	51.0750	-7.5	55.2477	-10.2
Indonesia	(Rupiah)	9279.52	-159.7080	051 - 854	9400.00	9125.00	9536.27	-33.2	9985.57	-30.4	11529.89	-24.3
Israel	(Shk)	4.6276	-0.0478	211 - 340	4.9039	4.8117	-	-	-	-	-	-
Japan	(Y)	131.516	-7.3940	464 - 568	135.108	130.600	131.1725	3.1	130.5681	2.9	127.9056	2.7
Malaysia	(M$)	4.4778	-0.0059	976 - 993	4.5218	4.4623	-	-	-	-	-	-
New Zealand	(NZ$)	2.1927	-0.0206	904 - 938	2.2160	2.1807	2.1942	-1.1	2.1993	-1.3	2.2318	-1.8
Philippines	(Peso)	44.6890	-0.7962	360 - 419	45.1501	44.4452	45.1291	-11.8	45.9267	-11.1	49.7946	-11.4
Saudi Arabia	(SR)	4.4193	-0.0063	186 - 200	4.4505	4.4097	4.4224	-3.8	4.4580	-3.7	4.5794	-3.6
Singapore	(S$)	1.9891	+0.0106	676 - 705	1.9719	1.9483	1.9884	1.8	1.9830	1.2	1.9801	0.5
South Africa	(R)	6.7952	-0.1402	894 - 829	6.8830	6.7809	6.8731	-13.6	7.0128	-12.7	7.8625	-12.7
South Korea	(Won)	1372.19	-27.4780	025 - 413	1404.93	1360.93	-	-	-	-	-	-
Taiwan	(T$)	37.9252	-0.0086	980 - 535	38.3370	37.9550	37.9119	0.4	38.0681	-1.5	38.8362	-2.4
Thailand	(Bt)	42.5385	-0.1739	741 - 030	43.0185	42.4522	42.6475	-3.1	42.9088	-3.5	44.4330	-4.5
UAE	(Dirham)	4.3280	-0.0057	273 - 287	4.3358	4.3260	4.3358	-2.2	4.3509	-2.1	4.4245	-2.2

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

BONDS

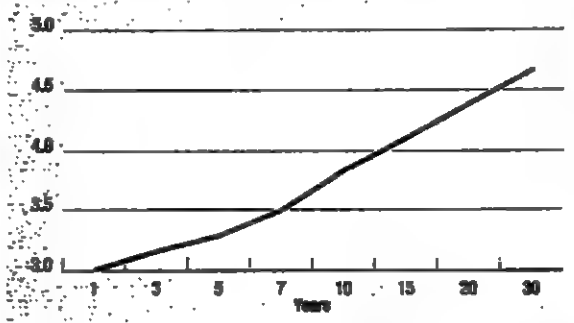
INTEREST RATE SWAPS

Jan 05	Euro-E Bid	Euro-E Ask	Euro-L Bid	Euro-L Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.19	3.23	3.20	3.24	6.22	6.25	4.95	4.98	0.43	0.46
2 year	3.23	3.27	3.24	3.28	5.46	5.49	4.98	5.01	0.54	0.57
3 year	3.33	3.37	3.34	3.38	5.44	5.48	5.06	5.09	0.69	0.72
4 year	3.46	3.50	3.47	3.51	5.44	5.48	5.11	5.14	0.85	0.88
5 year	3.61	3.65	3.62	3.66	5.43	5.47	5.16	5.19	1.01	1.04
6 year	3.76	3.80	3.77	3.81	5.41	5.45	5.23	5.26	1.14	1.17
7 year	3.92	3.96	3.93	3.97	5.41	5.45	5.28	5.31	1.28	1.31
8 year	4.08	4.12	4.09	4.13	5.41	5.45	5.33	5.36	1.41	1.44
9 year	4.21	4.25	4.22	4.26	5.41	5.45	5.39	5.42	1.53	1.56
10 year	4.30	4.34	4.31	4.35	5.41	5.45	5.44	5.47	1.65	1.68
12 year	4.46	4.50	4.47	4.51	5.40	5.45	5.51	5.54	1.88	1.92
15 year	4.65	4.69	4.66	4.70	5.39	5.45	5.62	5.65	2.13	2.17
20 year	4.85	4.89	4.86	4.90	5.38	5.46	5.71	5.80	2.34	2.39
25 year	4.95	4.99	4.96	5.00	5.37	5.44	5.71	5.78	2.41	2.46
30 year	5.02	5.06	5.03	5.07	5.36	5.44	5.71	5.79	2.48	2.53

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve

Per cent (January 5 1999)



Source: Interactive Data/FT Information.

EURO-ZONE BONDS

Jan 05	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ **SOVEREIGNS**								
UK	01/01	4.250	AAA	101.985	3.24	-0.05	-0.22	+0.15
Denmark	01/02	4.750	AA+	103.990	3.33	-0.05	-0.13	+0.17
Sweden	02/01	5.000	AA+	103.451	3.26	-0.05	+0.06	+0.17
Greece	11/08	6.750	BBB	114.888	4.49	+0.03	[illegible]	+0.39
■ **SUPRANATIONALS**								
ADB	10/07	6.000	AAA	109.595	4.17	-0.04	-0.21	+0.56
EIB	04/08	5.000	AAA	108.268	3.92	+0.00	-0.17	+0.18
Eurofima	12/09	5.625	AAA	110.878	4.35	+0.00	-0.15	+0.51
World Bank	04/05	7.125	AAA	118.528	3.75	+0.01	+0.07	+0.36
■ **UTILITIES**								
EDF	10/03	3.750	n/a	101.081	3.50	-0.03	-0.18	+0.28
TEPCO	02/03	4.750	AA	103.558	3.80	-0.02	+0.08	+0.58
Quebec Hydro	03/08	5.375	A+	105.954	4.57	+0.02	-0.10	+0.83
Norsk Hydro	10/09	7.250	[illegible]	102.603	3.58	+0.03	+0.05	+0.61
■ **FINANCIALS**								
Bad Wurtt	03/10	5.375	AAA	109.518	4.28	+0.01	-0.18	+0.38
OKB	08/07	5.750	AAA	112.460	4.02	-0.01	-0.23	+0.40
Credit Local	04/08	5.250	AA+	107.010	4.20	-0.01	-0.22	+0.46
Abbey Natl	01/09	5.000	AA-	102.880	4.64	+0.00	-0.21	+0.80
■ **INDUSTRIALS**								
Unilever	10/01	5.125	AAA	104.477	3.39	-0.07	-0.16	+0.30
McDonalds	03/08	5.125	AA	108.089	3.95	+0.02	-0.17	+0.15
Philip Morris	06/08	5.625	A	105.898	4.86	+0.02	-0.32	+1.12
BAT Int Fin	07/08	5.375	n/a	101.014	5.12	+0.03	+0.08	+1.82
■ **PFANDBRIEFE**								
Rhein Hypo	12/01	5.000	n/a	105.724	3.39	-0.02	-0.14	+0.30
FHC	01/04	5.000	n/a	108.326	3.50	+0.00	-0.18	+0.31
Bayer Vereins	01/08	6.000	n/a	113.167	3.83	+0.00	-0.21	+0.33
Depfa	07/08	4.750	n/a	[illegible]	4.08	-0.03	-0.28	+0.35
■ **HIGH YIELD**								
Geberit	04/07	10.125	n/a	108.998	8.30	+0.06	-0.30	+4.88
Colt Telecom	11/07	8.875	n/a	103.046	8.38	-0.30	-0.22	+4.76
Impress Metal	05/07	9.875	B	109.874	7.80	+0.06	[illegible]	+4.18
Remy Cointreau	07/05	10.000	B+	98.600	10.87	-0.88	-2.80	+7.48

Standard & Poor's ratings.

Source: Interactive Data/FT Information.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
Brit Aero	7.29	+.2	8.4	4.9	1.5
Smiths Ind	11.73	-.3	3.8	0.6	2.8
Thomson CSF	32.87	-.8	[illegible]	0.2	1.7
AUTOMOBILES					
BMW	690	+4.5	17.5	-	1.2
DaimlerChrys	86.75	-.7	[illegible]	8.7	-
Fiat	3.00	[illegible]	16.6	40.6	1.8
GKN	10.49	+.1	7.5	1.2	2.0
LucasVarity	3.01	+.1	4.2	6.4	2.8
Michelin B	36.30	-.8	4.6	0.4	1.8
Peugeot	140	+0.8	7.0	0.4	0.5
Pirelli Spa	2.87	+.1	[illegible]	3.1	2.1
Renault	43.00	+.5	10.2	1.1	1.2
Valeo	69.95	-0.8	5.1	0.4	1.6
Volkswagen	78	+.3	30.8	0.3	0.8
Volvo A	22.04	+1.6	3.1	0.3	2.4
Volvo B	22.57	+1.8	6.6	6.1	2.4
BANKS					
ABN Amro	19.29	+.6	27.7	14.1	3.0
Abbey Natl	17.78	+.2	25.1	2.5	3.2
Alliance & L	12.08	-	7.0	1.7	3.3
Allied Irish	16.35	+.5	14.8	-	1.5
Almanij	74.00	+.5	14.6	0.4	0.8
Argentaria	24.00	+.3	12.1	2.6	1.4
Banca Comm	6.21	+.2	11.3	6.6	1.4
Banc Fideuram	4.39	-.2	8.7	1.0	0.8
Banca Intesa	5.36	+.1	12.9	4.2	0.5
Banca di Roma	1.49	-	6.0	21.1	-
Banco Bilbao	14.00	+.5	28.6	12.8	1.2
Banco Hispan	10.83	+.2	13.9	4.2	1.8
Banco Comerc	26.97	+.2	6.3	-	1.8
Banco Popular	67.25	+.3	7.4	0.8	2.1
Banco de Sant	18.00	+.7	21.1	8.4	1.8
Bank Austria	43.82	-	3.5	0.4	2.5
Bank of Irel	20.10	+1.0	10.4	-	1.8
Bank Scot	9.70	-.2	12.0	6.7	1.8
BNP	74.00	-	16.4	0.0	1.4
Barclays	19.83	+.7	28.4	5.7	2.6
Bay Hypo Ver	66.00	+1.0	29.1	0.2	1.2
Commerzbank	27	-1.8	13.6	0.6	2.8
CCF	82.00	-	6.0	0.2	1.2
CS Group (Re	145.57	+3.3	40.6	1.5	2.1
Danske Bank	116.06	-1.3	8.2	0.1	2.1
Deutsche Ban	63.00	+.5	28.7	0.6	1.7
Dresdner Ban	37.80	+.8	20.8	0.3	2.1
ForeningsSpa	22.84	+.3	8.0	0.4	2.8
HSBC (75p)	22.34	+.1	19.7	2.4	4.1
HSBC (HK$10)	20.90	+.1	37.5	1.4	4.4
Halifax	11.49	-.1	30.0	2.6	3.7
KBC Holdings	60.30	+.2	38.5	0.2	1.1
LloydsTSB	12.36	+.3	67.1	12.0	2.8
Merita	5.83	-	4.7	1.8	3.0
National Bnk	210.07	+1.1	6.0	0.1	1.3
Nat West	16.44	+.2	27.9	5.8	3.6
Nordbanken H	5.64	-	7.2	1.0	2.8
Rolo Banca	24.30	-.1	10.0	0.0	1.2
Ryl Bk Scot	13.87	+.4	12.1	2.0	3.1
SanPaolo-IMI	15.50	-.6	22.7	7.2	-
S-E-Banken A	9.56	+.3	5.4	0.9	3.3
Soc Generale	157	+7.0	16.0	0.8	2.9
Stand Chrtd	9.84	+.1	9.6	3.0	3.5
Sv Handelsb	37.38	+.2	8.8	0.1	1.9
UBS AG (Reg)	285.64	+13.4	61.2	1.8	2.2
Unl Credito	5.01	+.2	[illegible]	38.5	0.7
Woolwich	4.82	-	7.6	3.0	3.6
BEVERAGES					
Allied-Dom	7.79	-.1	8.1	4.8	4.4
Carlsberg B	51.44	+.4	1.5	0.1	1.0
Diageo	9.67	-.2	33.9	5.7	3.0
Heineken	57.00	+0.8	17.9	1.7	0.8
CHEMICALS					
Air Liquide	150	-1.0	13.3	0.1	1.3
Akzo	36.75	-1.1	10.5	2.3	2.7
BASF	32.81	-.9	20.4	0.4	3.1
BOC	11.94	+.1	5.8	0.5	4.2
Bayer	36.04	-.1	27.6	0.8	2.8
Ciba Spec Ch	75.76	+1.4	5.0	0.2	-
Clariant (Re	434.66	+20.2	6.3	-	1.0
Degussa	49	-1.4	4.4	0.1	1.9
Hoechst	38.60	-.9	21.6	0.3	2.1
ICI	6.66	-.2	4.8	3.7	6.7
Rhone Poulen	45.30	+.3	16.8	1.1	1.3
Solvay	65.80	-1.6	6.6	0.1	2.3
UCB	33.25	-1.5	7.3	-	0.3
CONSTRUCTION & BUILDING					
Bouygues	194	-6.0	4.8	0.1	1.4
CRH	14.90	[illegible]	5.8	-	1.0
Hanson	6.53	-.1	4.3	2.1	3.2
Holderbank B	1,018.35	-7.0	5.2	-	1.2
Lafarge	80.00	-4.2	8.3	0.2	2.1
Saint Gobain	131.70	+3.8	11.9	0.2	2.1
DISTRIBUTORS					
GEHE	59	+1.0	4.3	-	1.1
Rexel	75.45	-4.5	2.6	-	1.2
DIVERSIFIED INDUSTRIALS					
Investor A	40.64	+.4	3.1	-	2.7
Investor B	40.89	+.7	4.6	0.2	2.6
Montedison	1.38	-	6.0	22.8	1.7
RWE	40.00	+.4	20.5	0.4	1.7
Suez-Lyon de	184	+1.1	27.1	0.4	1.2
Viag	507.00	[illegible]	13.6	-	1.4
Veba	54	-.7	27.0	0.3	2.4
Vivendi	231.00	-	26.9	0.9	1.0
ELECTRICITY					
Br Energy	8.12	-.1	6.6	1.7	[illegible]
Edison	11.85	+.4	7.8	2.6	1.6
Electrabel	416.20	[illegible]	20.6	0.1	2.2
Elect de Por	19.00	-.2	8.9	-	3.4
Endesa	23.15	+.8	24.0	0.6	1.6
Iberdrola	17.30	+.1	15.6	4.8	2.0
Natl Grid	6.07	+.1	10.1	6.0	1.7
Nat Power	7.05	-	8.7	3.8	5.4
PowerGen	10.80	-.1	6.9	1.7	4.8
Scot Hydro	8.50	-.3	7.4	5.0	4.4
Scot Power	8.44	-	10.1	6.1	4.4
Tractebel	166	[illegible]	10.7	0.1	[illegible]
Union Fenosa	10.33	+.4	6.8	1.1	1.5
ELECTRONIC & ELECTRICAL EQUIPT					
ABB A	9.46	+.2	8.9	0.8	2.4
ABB (Br)	1,008.93	+8.5	8.9	-	2.5
Alstom	28.26	+.7	4.4	0.8	-
GEC	7.07	+.4	21.8	8.3	2.6
Lagardere	38.90	-	4.8	0.3	1.8
[illegible]	48	-	3.6	0.1	3.4
Legrand	230.00	-4	3.6	-	0.6
Philips	50.35	+.5	21.0	2.0	1.1
Schneider	51.75	-0.8	7.8	0.8	1.8
Siemens	58	+1.4	34.8	0.4	1.3
ENGINEERING & MACHINERY					
Atlas Copco A	18.11	+.3	2.3	0.1	2.4
Atlas Copco B	18.74	-	1.1	0.1	2.4
BTR	1.77	+.1	5.7	10.6	7.8
Linde	565	-18.0	4.3	-	1.8
MAN	250	-7.8	3.7	-	2.5
Mannesmann	116.30	+0.6	46.3	0.2	0.4
Preussag	400	-	6.0	-	1.8
Sandvik A	15.53	-.3	4.0	-	4.0
Scania A	18.72	+.4	1.7	0.2	2.5
Scania B	18.86	+.4	1.7	0.8	3.4
Siebe	3.32	-	7.0	12.3	1.6
Thyssen	164	-2.0	8.6	0.1	4.2
Tomkins	3.89	-.2	4.2	4.0	6.2
EXTRACTIVE INDUSTRIES					
Billiton	1.65	-	3.5	2.5	-
Rio Tinto	9.89	-	10.6	3.4	4.6
FOOD & DRUG RETAILERS					
Asda	2.22	-.1	6.6	9.1	2.8
Ahold	32.00	+.2	20.8	4.0	1.1
Carrefour	650	+6.0	23.5	0.1	0.7
Casino	91.40	+1.8	7.5	0.2	1.3
Delhaize Fre	80.45	+2.0	4.2	0.1	0.9
Promodes	678.50	+23.5	12.6	-	0.4
Safeway	3.77	-.1	4.2	3.0	6.0
Sainsbury	6.30	-	12.1	2.1	4.0
Tesco	2.22	-	14.6	21.1	3.1
FOOD PRODUCERS & PROCESSORS					
A B Foods	7.05	-	6.6	1.4	2.1
Cadbury Schw	13.08	-.4	14.1	2.6	1.8
Danone	234	[illegible]	17.2	0.5	[illegible]
Eridania B-S	190.00	-3.2	3.6	-	3.6
Nestle R	1,897.67	-7.5	74.6	0.1	1.1
Koninklijke	42.00	+.4	5.4	2.0	0.8
Unilever NV	71.05	[illegible]	45.5	3.3	1.9
Unilever PLC	8.29	+.3	38.5	6.7	1.8
FORESTRY & PAPER					
SCA B	18.80	-.1	2.8	0.3	3.2
Stora Enso A	7.20	-.1	1.9	-	4.8
Stora Enso R	7.80	-.1	3.8	0.7	4.8
UPM-Kymmene	23.40	-.2	6.6	[illegible]	3.0
GAS DISTRIBUTION					
BG	5.22	-	20.7	13.2	2.8
Centrica	1.62	-	7.2	8.4	-
Gas Natural	95.87	-1.1	14.3	0.2	0.4
GENERAL RETAILERS					
Boots	13.28	-.4	12.1	2.1	3.0
Dixons	11.74	-.3	5.1	2.7	1.9
GUS	9.29	-.3	9.3	2.7	4.3
H & M B	78.50	+2.5	14.6	0.2	0.4
Kingfisher	9.33	+.5	12.7	3.8	2.3
Marks & S	5.75	+.2	16.5	9.1	4.4
Metro AG	75	+3.2	21.0	0.2	1.4
Pinault Prin	168.80	-1.5	18.6	0.1	0.7
HEALTH					
Gambro A	9.33	+.1	3.3	0.1	2.2
Nycomed Amer	5.82	-	3.7	1.0	1.2
HOUSEHOLD & TEXTILES					
Adidas Salom	95	-4.0	4.2	0.1	0.8
Christian Di	101.10	+4.2	4.6	0.1	2.5
Electrolux B	15.33	+.4	5.5	0.9	1.7
LVMH	167	+4.5	16.6	0.3	1.0
Swatch Br	530.83	+18.0	1.8	-	1.2
Swatch Reg	130.04	-.8	2.0	-	1.6
IT HARDWARE					
Alcatel SA	114.40	+3.4	22.7	0.7	1.5
Ericsson B	22.30	+1.1	40.0	5.5	0.8
Nokia A	118.30	+7.3	66.0	2.1	[illegible]
ST Microelect	71.00	+2.3	10.2	0.3	-
INSURANCE					
Aeg	108.70	+8.2	46.2	1.0	1.0
Aachen Mch (	125	+6.6	8.6	-	0.7
Allianz	307.36	-6.6	61.7	0.3	0.9
Allied Zurich	13.50	+.2	21.2	5.1	-
AGF	51.50	-.4	8.5	0.3	1.5
Baloise (Reg	903.80	+6.4	5.1	-	2.9
CGU	13.04	+.2	17.1	4.1	2.6
Ergo Versich	144	-6.5	10.8	-	0.8
Fortis (B)	30.50	+1.4	27.7	-	0.8
Fortis Amev	77.75	+0.3	14.6	2.1	1.4
Generali	38.89	+1.7	40.4	8.4	0.8
G R E	4.86	-	4.3	2.1	3.0
ING	65.05	+4.5	62.3	12.2	2.1
Munich Reasl	441.00	+7.6	36.8	-	0.2
Ras	13.15	+.2	8.7	1.6	1.3
Royal Sun Al	7.29	+.2	11.4	8.7	4.6
Skandia	13.52	+.3	6.6	2.6	0.8
Swiss Re R	2,334.71	+82.4	34.4	-	1.2
Zurich Allied	601.96	+6.5	32.1	0.2	1.1
INVESTMENT COMPANIES					
3i Group	8.15	+.1	4.6	1.1	2.3
Cobepa	65	+2.0	3.2	0.1	2.0
GBL	172.95	-.1	4.2	-	2.3
LEISURE ENTERTAINMENT & HOTELS					
Accor	188	+8.0	6.6	0.1	1.6
Granada	14.73	+.2	13.4	2.4	1.7
Ladbroke	3.26	-	3.9	4.5	3.0
LIFE ASSURANCE					
Aegon	110	+4.6	64.1	4.2	0.6
Alleanza Ass	12.08	+.1	10.7	2.4	0.6
Ina	2.71	-	8.2	0.8	1.6
Legal & Gen	10.84	-	13.6	2.1	2.2
Norwich Un	5.93	-.1	11.4	3.8	3.5
Prudential	13.92	+.1	25.2	3.8	2.1
Sun Life & P	7.06	-	9.7	6.6	3.1
MEDIA & PHOTOGRAPHY					
B Sky B	6.25	+.1	10.8	3.5	1.7
Canal Plus	232.40	-4.2	7.3	0.2	1.3
Carlton C	7.21	-.1	4.5	3.5	2.9
EMI	5.62	+.1	4.4	1.6	4.0
Elsevier	12.40	+.2	8.5	5.5	2.8
Mediaset	7.43	-	8.6	3.4	1.5
Pearson	16.50	+.2	10.1	1.4	2.1
Reed Int	8.74	+.1	7.7	3.3	3.0
Reuters	9.47	+.4	13.4	5.3	2.5
Utd News	7.21	-	3.6	2.5	4.7
VNU NV	32.65	[illegible]	8.2	1.1	1.1
WPP	5.32	+.3	4.1	[illegible]	3.0
Wolters Kluw	187	-6.6	12.9	0.4	0.7
OIL & GAS					
BP Amoco	12.00	-	124.7	57.0	3.2
Electrafina	117	+8.0	4.4	-	2.3
ENI	5.74	-	45.0	39.1	3.5
Norsk Hydro	30.83	+.4	3.5	0.3	2.8
Petrofina	400.20	+3.6	9.4	-	2.1
Repsol	50.10	+1.0	15.0	2.2	1.5
Royal Dutch	41.90	-.3	88.0	8.0	3.4
Shell Trans	5.07	-.1	50.4	11.7	3.7
Elf Aquitain	103.00	+2.0	28.5	0.8	2.2
Total B	98.80	+1.6	21.9	0.8	2.2
PACKAGING					
Alusuisse-Lo	1,000.50	-3.0	6.3	0.1	-
PERSONAL & HOUSEHOLD PRODUCTS					
Beiersdorf	57.50	-5.6	4.8	-	0.9
Henkel PF	78.50	-.3	4.7	0.1	0.9
L'Oreal	601	+23.0	40.7	0.2	0.4
Reckitt & C	10.71	-.3	4.4	1.2	3.2
PHARMACEUTICALS					
Astra A	18.05	-.1	28.4	2.5	1.1
Glaxo Wlcme	31.39	+1.5	113.7	8.5	1.6
Novartis R	1,772.06	+32.0	103.8	0.2	0.9
Novo Nordisk	118.29	-4	7.6	0.2	0.7
Roche Hold G	10,522.81	+302.2	100.3	-	0.5
Sanofi	165.40	+9.4	17.3	0.3	0.7
Schering	111.30	+.6	7.6	0.1	1.2
SmKl Beech	12.45	+.5	68.5	13.7	1.3
Synthelabo	200	+14.0	10.0	0.1	0.5
Zeneca	38.00	+1.6	37.0	2.0	1.8
REAL ESTATE					
Br Land	6.85	-.3	3.4	3.0	2.1
Land Sec	11.23	-.4	6.2	2.4	4.4
RESTAURANTS PUBS & BREWERIES					
Bass	11.81	-.3	8.2	1.3	4.8
Compass	9.65	+.1	6.5	0.7	0.8
Scot & New	9.59	-.3	3.7	2.2	4.6
Whitbread	10.16	-.5	5.0	4.1	4.6
SOFTWARE & COMPUTER SERVICES					
Cap Gemini	161	+12.0	11.3	0.4	0.5
Misys PLC	6.70	+.3	3.9	3.9	0.7
SAP (Pref)	333	-60.0	14.5	0.2	0.4
SAP	285	-60.0	12.4	0.1	0.5
Sema Gp	8.30	-.1	3.8	1.3	0.4
SPECIALITY & OTHER FINANCE					
Amvescap	6.72	-.1	4.6	1.2	1.4
CLF Dexia	142	+6.5	6.2	0.2	1.0
Dexia	147.00	+2.0	8.0	0.1	0.8
Mediobanca	12.30	-.2	7.0	3.5	0.8
Paribas	84.25	+2.0	12.8	0.9	-
Prov Finl	12.10	-	3.2	0.5	3.0
Schroders	14.05	+.1	4.2	0.8	1.8
SUPPORT SERVICES					
Adecco (Br)	410.53	+14.6	7.1	0.1	0.8
Hays	6.97	+.1	6.0	2.1	1.4
Rentokil Ini	4.95	-.4	9.6	0.3	0.9
[illegible]	178.05	-2.6	4.7	0.1	0.9
[illegible]	8.26	-	17.8	0.1	0.9
Sodexho	195.00	-.1	6.6	-	0.7
TNT Post Gp	32.20	+0.2	16.2	2.2	0.4
Williams	4.38	-.2	3.2	2.1	5.4
TELECOMMUNICATION SERVICES					
BT	14.05	+.9	90.7	18.2	2.9
Cable & Wire	8.80	+.8	12.4	-	-
Cable & W	10.80	+.3	26.2	8.4	1.8
Deutsche Tel	28.72	+.3	32.0	8.8	1.7
France Telec	75	+.7	22.4	2.1	1.8
Olivetti	3.27	-	8.2	98.7	-
Orange	11.51	+.8	13.9	6.3	-
Portugal Tel	40.04	+0.7	8.2	-	2.2
Royal KPN	50	+0.8	22.6	3.8	2.5
Securicor	7.06	+.4	4.8	1.9	0.4
Swisscom (Re	343.30	-13.5	8.7	0.1	2.0
Tele Danmark	116.05	-.8	12.8	8.5	2.1
Telecom Ital	7.09	-	60.2	38.1	1.2
TIM	6.00	+.1	51.6	17.6	0.6
Telefonica	43.80	+0.1	45.9	8.2	1.0
Telewest Com	2.65	+.3	6.1	10.0	-
Vodafone	15.50	+.8	48.0	71.0	0.7
TOBACCO					
Brit Am Tob	7.09	-.1	11.1	6.3	5.5
Gallaher	5.82	-.1	3.8	1.7	5.1
Imperial Tob	8.45	-.1	4.4	1.2	4.9
Richemont A	1,248.14	+10.3	6.5	-	1.1
Tabacalera	23.02	+1.8	4.3	1.2	1.2
TRANSPORT					
[illegible]	7.34	-.7	3.6	0.5	3.2
BAA	9.58	-	10.2	1.6	2.8
D/S 1912 B	5,944.46	+103.7	3.3	-	0.1
D/S Svendbor	8,456.11	-73.8	3.2	-	0.1
Lufthansa	19.31	-.5	3.8	0.6	2.4
P & O	9.49	+.2	6.1	1.5	5.2
Railtrack	21.11	-.3	10.7	2.2	1.9
Stagecoach	3.23	-	4.5	2.1	1.4
WATER					
Anglian Wtr	11.56	-	3.1	0.6	6.1
Severn Trent	13.40	-.5	4.6	1.0	4.3
Thames Water	15.41	-.8	5.4	1.0	4.5
Utd Utils	11.17	+.1	6.1	1.4	5.3

Notes

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Emu countries. Trading Volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information.

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THE EURO

FROM THE INSIDE.

BARCLAYS CAPITAL

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Hopes of Japanese demand lift prices

BENCHMARK BONDS

By Rahul Jacob in London and John Labate in New York

The expectation of a surge in Japanese investor demand for European government bonds helped boost prices in early trading as the first formal auction in the new currency got under way. However, some of the gains were lost to profit-taking in the late afternoon.

Spain got the government bond auctions started today and Germany and France also have auctions in the next few days.

Reports that Japanese institutional investors were getting ready to make large purchases of euro-denominated government bonds buoyed sentiment early in the day.

"There's a lot of optimism that the euro's solid start will generate investment from Asia and Japan. People want to get in early and benefit from that," said Joanne Collins, senior economist with Daiwa Europe.

A report from a Japanese news agency yesterday said that Japan's seven largest life insurers were expected to buy Y1,500bn worth of euro-denominated bonds by the end of the current financial year on March 31.

The juggling of Japanese portfolios has been expected for months, but the report adds greater credibility to earlier speculation.

European government bond auctions got off to a good start. Spain sold €2.2bn worth of three-year, 10-year and 30-year bonds yesterday, with allocation skewed to the long end of the curve.

"The Spanish auction received very good demand. The price for the three-year bonos was about 20 ticks above the market levels before the auction," said Carlos Ibanez, a bond strategist at Paribas.

Germany's first bond auction in euros is planned at about €8bn of 10-year bonds with a 3.75 per cent coupon. Bids are due this morning.

Trading remained light, said observers, a sign that banks are still treading water as they make sure their back office operations have made the transition to the euro smoothly. The switch has gone better than expected, but reports filtered out Tuesday of a few settlement glitches.

Turnover in the 10-year bund future was 313,000 contracts, against an average of 400,000 last last year.

"You'd expect a little bit more, especially when you have a 10-year bund auction," said Mr Ibanez.

UK gilt prices fell because of speculation that stronger than expected retail sales in the past few weeks might forestall hopes of an interest rate cut when the Bank of England's monetary policy committee meets this week.

The 10-year gilt future fell by 0.39 to close at 119.25.

Paribas forecasts that the euro-zone countries will issue a net €159bn of bonds in 1999. The arrival of European monetary union means that currency will no longer be a distinguishing factor in making investment decisions.

Luca Jellinek, an economist at Paribas, predicted that the focus will now shift to the credit standing of the issuing government and the estimated liquidity of the market. "To look at the credit standing of governments is no longer enough," said Mr Jellinek.

Some European governments are focusing on adding 10-year and 30-year issues to increase liquidity.

US Treasuries weakened for the second consecutive day ahead of a Treasury bill auction and as the yen continued to gain ground against the dollar.

By early afternoon the benchmark 30-year bond had lost ¾ to 100⅞, sending the yield higher to 5.214 per cent.

Among shorter-term issues the two-year note fell 1/32 to 100 1/32, yielding 4.608 per cent, and the 10-year note slid ⅜ to 100½, yielding 4.745 per cent.

For the second day running, a morning rally in US equities helped put Treasuries under pressure.

The US Treasury was expected to auction $10bn in 52-week bills during the afternoon session.

CBOE to develop screen system

By Nikki Tait in Chicago

Bill Brodsky, chairman of the Chicago Board Options Exchange, confirmed yesterday that the world's biggest options market plans to develop a fully screen-based trading system as a "hedge" against future competition from new automated rivals.

Mr Brodsky said that no electronic system currently available was capable of handling the 4m quotes a day the CBOE could typically see. He said the current aim was to have the technology available "sometime in 2000".

He said that the CBOE had held discussions with various parties about collaborating on the development, but there had been no commitments to date. One or more partners would be "not necessary but helpful".

The CBOE chairman also revealed that David Brennan, the new chairman of the Chicago Board of Trade, the largest futures market, had already visited CBOE.

Mr Brennan, who took up his appointment this week, has criticised certain aspects of the CBOT's planned alliance with Eurex, the largest European futures exchange, and some members of the US futures exchange have suggested that a closer technology alliance with CBOE – which is on the CBOT's doorstep – might be more fruitful.

Under the proposed link-up with Eurex, to which the CBOT board is still formally committed, the two futures exchanges would disseminate each other's products, and collaborate on developing a new electronic trading platform. CBOT members are due to vote on the alliance this month.

NEWS DIGEST

SOVEREIGN RATINGS

South Korea upgraded to positive outlook by S&P

Standard & Poor's has become the third international ratings agency to upgrade its outlook for South Korea, which now looks set to be the first victim of Asia's economic meltdown to regain investment grade status. The agency cited the "remarkable progress Korea has made over the past year in addressing its economic crisis" in revising its outlook from stable to positive. It reaffirmed its current ratings on the country's short and long-term debt in foreign and local currencies. South Korea's sovereign ratings are one notch below investment grade.

Moody's Investors Service and Fitch IBCA upgraded their outlooks for South Korea's ratings in late December. South Korean officials expect ratings upgrades in the next few months, but said that the agencies required further proof of reform in the corporate and banking sectors. S&P pointed to a healthy current account surplus, high foreign exchange reserves and sweeping reforms, including the recent agreement to sell Korea First Bank to foreign investors, as proof of Korea's reform credentials.

The move fanned the already soaring stock market, which closed up 1.9 per cent. Three-year corporate bond yields fell sharply. Analysts said rating upgrades would entice foreign investment. "It opens us up to a whole new class of potential investors who are now barred from investing in anything below investment grade," said H. Jin Lee, analyst with Samsung Securities. **John Larkin, Seoul**

DERIVATIVES

AEX plans electronic trading

Amsterdam Exchanges (AEX), operator of the Dutch securities markets, intends this year to develop an electronic trading system for some of its derivative products. Options dealings have remained largely conducted by open outcry, a system defended by George Möller, AEX president, as better able to ensure liquidity at times of market turmoil. But he told exchange members on Monday night that "out of strategic considerations, screen trading on the options bourse needs to come within reach in the future".

Tie-ups being planned among European securities markets "create new challenges for the stock exchange as well as for the options bourse and in clearing. It is of great importance that we enter all those co-operation links from as strong a starting point as possible." Most neighbouring derivatives markets are fully screen-based.

After a troubled start, the AEX last year introduced an electronic order book for derivatives as part of a trading support system called Switch. Volume in futures and options rose 30 per cent in 1998 to 65m contracts. Dutch options traders are at the same time developing their own international links, as evidenced yesterday when Van der Moolen, one of the largest, said it was buying 80 per cent of Tague Securities Corporation, a Philadelphia options specialist and market-maker. **Gordon Cramb, Amsterdam**

Ford 10-year raises $2.3bn

NEW ISSUES

By Edward Luce, Capital Markets Editor

The international bond markets maintained their lively pace yesterday with a number of large dollar offerings. The markets had been buoyed by a rally in both cash spreads and swap spreads since the start of the week. Swap spreads in five-year dollars tightened by about 10 basis points to 64 basis points since Monday.

Nevertheless, syndicate officials pointed out that the healthy pace of new issues fell short of the deluge that has become customary at the start of each year. Last year, international offerings topped $100bn in January, the first time monthly volume had exceeded $100bn.

Bankers say some large investors, including central banks, will remain preoccupied with the logistics of converting their positions into the euro this week.

"By next week we should see a larger volume of offerings including in euros," said one.

Ford Motor Credit led the way yesterday with a $2.3bn 10-year offering increased from the initially planned $1.5bn. The deal was priced at 108 basis points over the Treasury benchmark.

Fannie Mae is also planning its first benchmark note of the year with a 10-year offering of $3bn to $4bn today.

The European Investment Bank also joined the fray with a $1bn five-year offering yesterday.

DaimlerChrysler added $100m to last month's debut offering to take advantage of strong demand for high quality corporates. It was priced at a yield spread of 69 basis points compared with the earlier spread of 73 basis points over the five-year Treasury.

Liquidity was strong across most maturities.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Fannie Mae‡	3-4bn	(a,)#	(a)R	Jan 2009	0.15R	(a)	Goldman/Merrill/JPM
Ford Motor Credit Co	2.3bn	(b,)#	(b)	Jan 2009	0.45	+108(Nov08)	Bear Stearns Intl
European Investment Bank	1bn	5.00	99.641R	Jan 2004	0.25R	+48(4¼Nov03)	ABN Amro
LB Baden Wuerttemberg(c)	100	6.00	100.00	Jan 2009	0.25	-	Morgan Stanley DW
DaimlerChrysler(UK)Hldgs(d)	100	5.25	[illegible].746R	Dec 2002	0.25R	+69(5¾May01)	ABN Amro
■ EUROS							
Vivendi‡§	1.5bn	1.25	100.00	Jan 2004	1.65	-	SG
Deutsche Telekom§	977.4	5.25	107.00R	May 2008	0.325R	+60(4¾Jan08)	Deutsche/Dresdner KB
GECC(e)	400	3.375(s)	99.68R	Apr 2004	0.25R	+12(5¼Apr04)	Paribas
■ STERLING							
Abbey Natl Trsy Services	250	5.25	99.616R	Jan 2004	0.275R	+90(6¾Nov04)	Salomon Smith Barney
■ CANADIAN DOLLARS							
GE Capital Canada	100	5.00#	99.85R	Feb 2004	0.35R	+22(5¼Sep03)	TD Securities
■ AUSTRALIAN DOLLARS							
New Sth Wales Trsy Corp	100	6.00	98.39	Feb 2009	2.00	-	TD Securities
■ DRACHMA							
Intl Finance Corp(g)	18bn	6.50	101.22	Jan 2002	1.50	-	RBC DC Global Markets
■ POLISH ZLOTYS							
EBRD(h)	200	10.50	99.65R	Jan 2001	0.125R	-	JP Morgan/TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today at spread consistent with market. b) Priced today. c) Callable annually from 15/1/00 at par. d) Fungible with $200m. Plus 31 days accrued. e) Spread relates to French OAT. f) Fungible with €1.0226bn. Plus 237 days accrued. Spread re Bunds. g) Dr20bn launched on Monday increased to Dr35bn. h) All payments in €. § Each €282 bond convertible into Vivendi shares on 1:1 basis. Callable from 1/1/02 subject to 115% hurdle at par. Greenshoe: €200m. § Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 5	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	5.750	107.7731	4.65	+0.04	-0.02	+0.37	-0.46
	06/09	8.750	127.7856	5.06	+0.06	-0.02	+0.32	-0.66
Austria	07/00	5.875	103.0800	3.20	-	-0.09	-0.01	-1.13
	01/08	5.000	107.9900	3.93	-	-0.13	-0.20	-1.36
Belgium	01/00	4.000	100.[illegible]	3.09	+0.05	-0.07	-0.18	-1.15
	03/08	5.750	113.4900	3.97	+0.01	-0.10	-0.17	-1.37
Canada	12/00	5.000	100.4800	4.73	+0.02	-0.04	+0.08	-0.18
	09/08	6.000	108.0500	4.92	+0.01	-0.03	+0.06	-0.48
Denmark	11/00	9.000	109.2300	3.71	-0.09	-0.11	-0.15	-0.73
	11/07	7.000	121.2800	4.06	-0.01	-0.18	-0.27	-1.43
Finland	06/00	4.000	101.2160	3.11	-0.01	+0.46	+0.29	-0.83
	04/08	6.000	116.0080	3.91	+0.01	-0.13	-0.27	-1.40
France	07/00	4.000	101.3100	3.05	-	-0.07	-0.15	-1.10
	10/05	7.750	125.1800	3.51	+0.03	-0.07	-0.14	-1.40
	10/08	8.500	136.0800	3.77	+0.01	-0.13	-0.21	-1.41
	04/29	5.500	113.6200	4.65	-0.02	-0.11	-0.17	-1.08
Germany	06/00	4.000	101.2800	3.06	-	-0.14	-0.17	-1.00
	10/05	6.500	117.0700	3.60	-	-0.12	-0.18	-1.40
	07/08	4.750	107.4800	3.79	+0.02	-0.09	-0.11	-1.40
	01/28	5.625	115.1800	4.69	-0.02	-0.16	-0.16	-1.10
Greece	03/00	9.800	99.8475	10.06	-0.09	-0.08	-0.22	-4.82
	09/08	8.600	115.7000	6.32	-0.07	-0.58	-1.75	-4.16
Ireland	10/01	6.500	108.6900	3.19	-	-0.06	-0.22	-1.65
	08/08	6.000	116.3500	3.92	+0.02	-0.14	-0.21	-1.62
Italy	04/01	4.500	102.[illegible]	3.17	-0.05	-0.03	-0.20	-1.80
	07/03	4.500	104.5200	3.39	-	-0.01	-0.17	-1.84
	05/08	5.000	108.5500	3.89	-0.01	-0.08	-0.20	-1.67
	11/27	6.500	127.4000	4.74	-0.03	-0.16	-0.27	-1.21
Japan	12/00	6.900	111.8200	0.74	-0.03	-0.06	+0.27	+0.14
	12/03	4.100	112.5540	1.44	-0.04	+0.02	+0.49	+0.19
	06/08	1.800	99.9690	1.82	-0.06	+0.05	+0.63	+0.25
	03/18	2.700	102.1390	2.60	-0.05	+0.06	+0.65	+0.17
Netherlands	05/00	9.000	107.6400	3.08	-0.02	-0.07	-0.16	-1.11
	07/08	5.250	110.6100	3.87	+0.02	-0.12	-0.13	-1.20
New Zealand	02/01	8.000	105.5092	5.15	-	-0.16	+0.33	-2.33
	07/09	7.000	111.9438	5.49	+0.02	-0.09	+0.16	-1.36
Norway	05/01	7.000	102.9600	5.82	-0.67	-2.16	-2.23	+1.22
	01/07	5.750	110.3000	5.15	-0.03	-0.22	-0.13	-0.25
Portugal	03/00	5.375	102.5100	3.19	+0.22	+0.03	-0.15	-1.43
	06/08	5.375	110.1200	4.06	+0.13	-0.02	-0.16	-1.46
Spain	04/00	8.750	104.4700	3.05	-0.01	+0.03	-0.19	-1.38
	01/08	6.000	115.7800	3.90	-	-0.07	-0.25	-1.53
Sweden	05/00	10.250	108.5300	3.47	-	-0.12	-0.09	-1.56
	05/08	6.500	118.9330	4.02	-0.06	-0.21	-0.30	-1.61
Switzerland	06/00	4.500	104.1700	1.49	-0.02	+0.02	+0.02	-0.38
	01/08	4.250	115.5500	2.30	+0.01	-0.07	-0.01	-0.91
UK	11/01	7.000	105.9300	4.74	+0.04	-0.02	-0.10	-1.93
	12/03	6.500	109.3400	4.37	+0.08	-0.07	-0.17	-1.88
	10/08	9.000	136.1800	4.32	+0.03	-0.08	-0.31	-1.81
	12/28	6.000	129.0500	4.27	+0.03	-0.01	-0.30	-1.84
US	09/00	4.500	99.7004	4.68	+0.03	-0.02	+0.15	-0.79
	08/03	5.250	102.2851	4.68	+0.04	-	+0.20	-0.81
	05/08	5.625	105.9897	4.82	+0.05	-0.06	+0.14	-0.69
	08/28	5.500	102.9656	5.30	+0.06	+0.09	+0.15	-0.30

London closing. * New York mid-day. Source: Interactive Data/FT Information

Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jan 5	Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.07	+1.23	+0.34
Austria	4.04	+0.20	-0.69
Belgium	4.05	+0.21	-0.68
Canada	4.92	+1.08	+0.19
Denmark	4.08	+0.24	-0.65
Finland	3.94	+0.10	-0.79
France	3.80	-0.04	-0.93
Germany	3.84	-	-0.89
Greece	6.26	+2.42	+1.53
Ireland	3.95	+0.11	-0.78
Italy	3.91	+0.07	-0.82
Japan	1.93	-1.91	-2.80
Netherlands	3.89	+0.05	-0.84
New Zealand	5.50	[illegible]	+0.77
Norway	5.14	+1.30	+0.41
Portugal	3.98	+0.14	-0.75
Spain	4.00	+0.16	-0.73
Sweden	4.04	+0.20	-0.69
Switzerland	2.41	-1.43	-2.32
UK	4.33	+0.49	-0.40
US	4.73	+0.89	-

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Jan 5	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	93.6447	9.38	+0.67	-1.78	+4.77
Poland	07/04	7.125	BBB-	106.1656	5.77	-0.37	-0.51	+1.16
Russia	06/07	10.000	n/a	26.9954	41.78	-3.54	+0.84	+37.08
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	91.6000	10.69	-0.12	-0.38	+5.53
Brazil	05/27	10.125	BB-	71.5505	14.[illegible]	-0.21	-0.39	+9.10
Mexico	05/26	11.500	BB	109.7500	10.41	-0.11	-0.57	[illegible]
■ ASIA								
China	07/06	7.750	BBB+	103.6123	7.10	+0.03	-0.77	[illegible]
Philippines	10/16	8.750	BB+	97.6942	9.01	+0.01	-0.50	+4.11
Thailand	04/07	7.750	BBB-	99.0831	7.90	+0.02	-0.98	+3.22
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	103.6627	6.51	-0.24	-0.32	+1.93
South Africa	10/06	8.375	BB+	97.5623	8.81	-0.21	-1.81	+4.15
Turkey	09/07	10.000	B	91.0039	11.68	-0.79	+0.23	+7.00
■ BRADY BONDS								
Argentina	03/23	5.750	BB	73.3750	8.63	-0.10	-0.14	+3.56
Brazil	04/14	5.000	BB-	61.7500	13.51	-0.08	+0.09	+8.66
Mexico	12/19	6.250	BB	79.8750	8.29	-0.07	-0.32	+3.32
Venezuela	03/20	6.750	B+	69.7500	10.[illegible]	-0.09	-1.90	+5.25

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.45	112.47	-	112.83	112.36	33,289	93,251

■ LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	Mar	-	PUTS Feb	Mar	-
109	3.48	3.82	-	0.02	0.17	-
110	2.54	2.75	-	0.07	0.29	-
111	1.68	1.97	-	0.19	0.51	-
112	0.94	1.32	-	0.47	0.85	-

Est. vol. total, Calls 1,403 Puts 884 . Previous day's open int., Calls 8,787 Puts 9,119 .

Germany

■ NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.70	116.60	-	117.07	116.58	311,984	281,468

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	Mar	PUTS Feb	Mar
11650	0.61	0.83	0.32	0.64
11700	0.27	[illegible]	0.58	0.80
11750	0.11	0.40	0.84	1.21

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.14	109.01	+0.03	109.15	109.00	80,286	165,118

■ NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	101.83	+0.09	-	-	0	985

■ NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	102.46	+0.14	-	-	0	580

Also traded on APT. All Open interest figs. are for previous day.

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114.60	114.54	-0.11	114.83	114.45	11486	28821

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Feb	Mar	PUTS Feb	Mar
11450	0.35	0.61	0.31	0.57
11500	0.15	0.39	0.61	0.85
11550	0.05	[illegible]	1.01	1.19

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.50	117.57	-0.03	117.77	117.44	15,646	13,049

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	108.12	-0.20	-	-	0	78
Jun	-	108.12	-0.20	-	-	0	0

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.75	119.25	-0.39	119.82	119.10	32793	102557
Jun	-	119.25	-0.39	-	-	0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
11900	0.75	1.13	1.51	0.50	0.88	1.25
11950	[illegible]	0.90	1.26	0.75	1.15	1.51
12000	0.32	0.70	1.05	1.07	1.45	1.80

Est. vol. total, Calls 2572 Puts 5. Previous day's open int., Calls 5837 Puts 5759

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	127-12	127-03	-0-12	127-21	126-28	275,242	591,572
Jun	127-02	126-19	-0-13	127-02	126-18	4,319	13,844
Sep	-	126-17	-	-	-	480	6,466

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	128.90	128.67	-	128.90	128.65	3920	n/a
Jun	-	128.37	-	-	-	0	n/a

Euro

■ EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.85	112.00	-0.50	-	-	10	280

US CORPORATE BONDS

Jan 4	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	106.2066	5.27	+0.01	+0.08	[illegible]
NY Tel	06/25	7.00	A+	102.3572	6.80	+0.07	-0.05	+1.65
CWE	05/08	8.00	BBB	115.0675	5.87	+0.03	-0.02	+1.19
■ FINANCIALS								
GECC	05/07	8.75	AAA	121.1258	5.55	+0.03	-0.81	[illegible]
Banc One	08/02	7.25	A	105.1548	5.63	+0.01	-0.21	+5.63
CNA Fin	01/18	6.95	A-	[illegible]	7.24	+0.08	-0.25	+2.00
■ INDUSTRIALS								
WMX Tech	04/08	6.25	BBB+	100.0711	6.24	-0.09	-0.06	+1.46
Wal Mart	05/02	6.75	AA	105.3301	5.00	+0.01	+0.08	+5.00
Dayton Hud	06/21	9.70	A-	134.5781	6.60	+0.07	+0.10	+1.54
■ AGENCIES								
FHLMC	04/07	7.14	NR	112.2196	5.39	+0.03	+0.15	+0.61
SLMA	03/00	7.50	NR	102.7956	5.01	+0.02	-	+0.93
FNMA	02/18	8.95	NR	136.5336	5.76	+0.07	+0.26	+0.61
FFCB	06/05	8.95	NR	122.3020	5.26	+0.04	+0.12	+0.58
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.3750	0.00	-	-	-
AK St	12/01	9.13	BB-	104.2500	0.00	-	-	-
Pecalio	06/04	10.75	B-	80.0000	0.00	-	-	-

NY close. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest

Prime rate	7¾
Broker loan rate	6⅝
Fed.funds	4⅝
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	-	Two year	4.61
Two month	-	Three year	4.60
Three month	4.46	Five year	4.61
Six month	4.55	10-year	4.74
One year	4.60	30-year	5.21

INTERNATIONAL BONDS

Jan 5	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO $								
EIB	04/07	7.250	AAA	112.3514	5.36	+0.01	+0.20	[illegible]
ABN Amro	08/07	7.125	AA-	105.1580	6.31	+0.01	+0.05	+1.63
Quebec	01/07	7.000	A+	107.3024	5.85	+0.01	+0.20	+1.17
Citicorp FRN	02/04	5.312	AA-	94.8472	6.50	+0.01	+0.11	+1.69
■ EURO C$								
Bayer L-Bk	08/04	8.500	AAA	116.0790	5.20	-0.04	+0.11	+0.16
Toronto (M of)	05/04	8.500	AA+	114.2519	5.37	-0.04	+0.25	+0.25
Bell Canada	07/08	10.625	A+	102.6314	5.16	-0.03	+0.08	+1.27
Deutsche B FRN	02/02	5.675	AA+	101.6581	5.37	-0.04	+0.13	+0.34
■ EURO £								
EIB	12/07	7.625	AAA	117.9515	5.07	-0.04	-0.27	+0.54
Dresdner Bk	12/07	7.750	AA-	112.0898	5.98	-0.04	-0.44	+1.50
British Gas	03/00	7.625	A+	101.6305	6.00	-0.03	+0.03	+0.80
Abbey Nat FRN	02/02	7.100	AA	100.1157	4.64	-0.05	-0.13	-0.06
■ EURO SFR								
EIB	01/06	3.750	AAA	103.2521	3.31	+0.01	-0.04	+1.02
Rep Colombia	10/02	3.250	AA	103.7443	2.00	-	+0.07	+0.30
Hydro-Quebec	06/01	6.750	n/a	109.3188	2.63	-0.01	+0.01	+1.05
Gen Elect.	09/01	1.711	n/a	99.7012	1.59	-	+0.03	+0.01
■ EURO YEN								
IBRD (World Bk)	03/02	5.250	AAA	113.8433	0.85	-0.04	+0.42	-0.16
Spain (Kingdom)	03/02	5.750	AA	115.1820	0.93	-0.04	+0.39	-0.10
Cred Foncier	08/02	4.750	A	111.[illegible]	1.49	-0.04	+0.44	+0.46
Italy (Rep of)	07/99	0.487	AA	100.0260	0.43	-0.01	+0.21	+0.05
■ EURO A$								
IBRD (World Bk)	02/08	6.000	AAA	103.9678	5.43	+0.09	+0.24	+0.38
Nw Sth Wales Tr	05/08	6.500	n/a	[illegible]	5.61	+0.08	+0.35	[illegible]
K Aust Exp Fin	[illegible]	7.750	AA	108.8413	5.61	+0.05	+0.28	[illegible]
GMAC Aust	[illegible]	9.000	[illegible]	107.6204	[illegible]	+0.04	+0.34	+0.61

London closing. Source: Interactive Data/FT Information

Standard & Poor's ratings. Yields: Local market standard/annualised basis.

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Tue Jan 5	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Years	Duration Yield	% Weight
1 Up to 5 years (18)	[illegible]	-0.08	1.80	0.26	1197.55	[illegible]	4.68	34.36
2 5-10 years (11)	172.90	-0.25	2.01	0.02	1344.06	5.94	4.40	[illegible]
3 10-15 years (7)	188.42	-0.24	2.09	0.00	1472.88	8.77	4.39	13.47
4 5-15 years (18)	177.41	-0.25	2.03	0.01	1380.57	6.88	4.40	42.58
5 Over 15 years (4)	235.58	-0.11	1.72	0.00	1601.40	11.80	4.37	22.29
6 Irredeemables (4)	333.42	-0.28	2.36	0.00	1831.38	23.66	4.51	0.79
7 All stocks (44)	168.00	-0.16	[illegible]	0.13	1361.88	6.98	4.42	100.00

UK Indices

Index-linked	Tue Jan 5	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	227.40	-0.07	1.14	0.00	1184.33	15.31
2 Over 5 years (9)	258.25	-0.31	2.20	0.00	1398.87	84.69
3 5-15 years (5)	242.14	[illegible]	1.90	0.00	1305.62	43.38
4 Over 15 years (4)	272.93	-0.38	2.51	0.00	1483.82	41.31
5 All stocks (11)	252.80	-0.27	2.01	0.00	[illegible]	100.00

Yield Indices	Jan 5	Jan 4	Yr ago	Yield Indices	Jan 5	Jan 4	Yr ago
5 yrs	4.46	4.43	6.36				
10 yrs	4.37	4.34	6.17	Irred †	4.51	4.49	6.29
15 yrs	4.38	4.36	6.13	Med. 15 yrs	4.39	4.37	6.14
20 yrs	4.36	4.37	6.13	High 15 yrs	4.51	4.49	6.25

Coupon Bands: Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

Real yield	— Inflation 5% — Jan 5	Dur yrs	Jan 4	Yr ago	— Inflation 3% — Jan 5	Dur yrs	Jan 4	Yr ago
Up to 5 yrs	2.84	3.42	2.82	3.71	2.08	3.44	2.05	2.96
Over 5 yrs	2.15	13.11	2.12	3.16	1.95	13.21	1.93	2.95
5-15 yrs	2.19	9.84	2.17	3.25	1.92	9.89	1.90	2.94
Over 15 yrs	2.12	16.70	2.10	3.12	1.97	16.80	1.94	2.96
All Stocks	2.18	11.58	2.16	3.17	1.96	11.68	1.93	2.95

FT Fixed Interest Indices

	Jan 5	Jan 4	Dec 30	Dec 29	Dec 24	Yr ago	High*	Low*
Govt. Secs. (UK)	116.25	116.45	115.08	115.53	115.36	103.00	116.45	93.31
Fixed Interest	157.73	157.84	157.19	156.47	156.41	137.25	157.84	115.3

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 9½pc 1999		9.45	5.05	100.[illegible]	-.[illegible]	102.03	100.08
Treas Flg Rate 1999		-	-	100.0389	-.0040	100.26	100.02
Exch 12¼pc 1999		12.05	5.82	101.3905	-.0000	108.31	101.39
Treas 10½pc 1999		10.31	5.46	101.7975	-.0108	104.80	101.80
Treas 6pc 1999		5.96	5.37	100.3989	+.0080	100.76	98.64
Conv 10¼pc 1999		9.83	5.24	104.2333	-.0101	105.45	100.62
Treas Flgt 2000	‡	4.82	5.20	100.3992	-.0072	103.84	101.88
Conv 9pc 2000		8.64	5.19	104.2322	-.0172	105.82	102.86
Treas 13pc 2000		11.67	5.18	111.4000	-.0229	114.83	110.58
Treas 8pc 2000		7.58	4.92	105.5646	-.0469	105.79	102.22
Treas Flg Rate 2001		-	-	100.0075	+.0075	100.02	100.17
Treas 10pc 2001		8.89	4.88	110.0200	-.0587	110.35	107.11
Conv 9¾pc 2001	‡	8.59	5.07	110.3558xd	-.0587	110.86	106.73
Conv 9¾pc 2001	‡	8.76	5.07	111.4866	-.0587	111.57	107.58
Treas 7pc 2001		6.63	4.74	105.6116	-.1144	105.10	100.71
Exch 12pc 1999-2	‡	11.57	5.44	103.2800	-.0150	104.94	103.01
Conv 10pc 2002	‡	8.63	4.87	115.8157	-.1573	116.36	110.98
Treas 7pc 2002		6.51	4.68	107.4982	-.1304	107.63	101.42
Conv 9½pc 2002	‡	8.39	4.78	115.0447	-.1573	115.27	108.78
Treas 9¾pc 2002		8.35	4.70	116.6677	-.1573	116.95	111.19
Exch 9pc 2002	‡	7.82	4.74	115.0257	-.1573	115.18	108.07
Conv 9¾pc 2003	‡	8.15	4.77	118.5927	-.1573	118.75	112.79
Treas 8pc 2003		7.02	4.40	113.8942	[illegible]	114.00	105.55
Treas 10pc 2003		8.15	4.35	122.7922	-.2320	123.00	115.44
Treas 13¾pc 2000-3	‡	12.20	5.00	112.7259	-.0820	116.71	112.14
Five to Fifteen Years							
Treas 6½pc 2003		6.04	4.37	108.3520	-.2428	108.53	100.53
Treas 11½pc 2001-4		10.16	5.04	113.2592	-.0882	114.41	110.80
Treas 10pc 2004	‡	7.95	4.58	125.7782	-.2528	126.03	117.38
Funding 3½pc 1999-4		3.55	3.72	98.5280	-.2300	98.80	93.17
Conv 9½pc 2004		7.58	4.49	125.3004	-.2874	125.67	118.50
Treas 6¾pc 2004		6.02	4.37	112.2954	-.2882	112.54	104.87
Conv 9½pc 2005		7.47	4.56	127.1372	-.3185	127.46	117.55
Exch 10½pc 2005	‡	7.81	4.52	134.4342	-.3185	134.75	124.23
Treas 12½pc 2003-5		9.28	4.51	134.6550	-.2736	134.90	127.40
Treas 8½pc 2005		6.85	4.41	124.1383	-.3718	124.45	113.10
Conv 9¾pc 2006	‡	7.23	4.44	134.8044	-.3748	135.18	122.68
Treas 7¾pc 2006		6.40	4.46	121.1598	-.3325	121.49	108.03
Treas 8pc 2002-6		7.20	4.71	111.1012	-.1610	111.26	104.95
Treas 7½pc 2006		6.23	4.43	120.3071	-.3285	120.64	107.77
Treas 11¾pc 2003-7	‡	9.35	4.71	125.6967	-.1573	125.92	119.81
Treas 8½pc 2007		6.62	4.45	128.4614	-.3748	128.84	115.08
Treas 7¼pc 2007		5.98	4.35	121.2079	-.3758	121.58	106.88
Treas 13½pc 2004-8	‡	9.54	4.44	141.5614	-.2874	141.95	133.46
Treas 9pc 2008		6.57	4.33	136.8989	-.3850	137.29	121.29
Treas 8pc 2009		6.08	4.25	131.6520	-.3855	132.04	113.99
Treas 5¾pc 2009		5.07	4.21	113.3516	-.3285	113.68	99.38
Treas 6¼pc 2010		5.33	4.38	117.2823	-.3427	117.62	99.57
Conv 9pc Ln 2011		6.27	4.43	143.8188xd	-.3780	144.00	124.22
Treas 9pc 2012		6.17	4.45	145.8128	-.4086	146.32	125.20
Treas 5½pc 2008-12		4.96	4.14	110.7903	-.3364	111.12	93.37
Treas 8pc 2013		5.80	4.46	137.9422	-.2261	138.17	116.69
Treas 7¾pc 2012-15		5.87	4.50	131.9770	-.4317	132.41	112.74
Over Fifteen Years							
Treas 8pc 2015		5.60	4.35	142.7732	-.1266	142.99	119.82
Treas 8¾pc 2017		5.66	4.41	154.6308	-.1475	154.81	127.57
Exch 12pc 2013-17	‡	6.59	4.58	182.0166	-.3780	182.38	155.89
Treas 8pc 2021		5.28	4.32	151.6047	-.2198	151.82	121.70
Treas 6pc 2028		4.65	4.25	129.5463	-.2215	129.81	99.66
Undated							
Consols 4pc		4.66	-	85.2388	-.0972	85.92	61.21
War Loan 3½pc		4.45	-	78.5906	-.0925	78.69	55.09
Conv 3½pc '61 Aft		3.66	-	95.5906	-.0925	95.68	72.09
Treas 3pc '66 Aft		4.90	-	61.1690	-.3000	61.47	44.06
Consols 2½pc		4.45	-	56.1650xd	-.3000	56.47	39.06
Treas. 2½pc		4.62	-	54.1397	-.3000	54.52	38.49

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2½pc '99	‡	1.55	2.75	197.2148	-.1518	198.18	188.29
2½pc '01	(78.3)	2.23	2.84	205.6518	-.1518	206.40	194.72
2½pc '03	(78.8)	1.89	2.24	207.6523	-.1768	207.83	192.34
4⅝pc '04	(135.6)	1.91	2.11	133.9293	-.1655	134.09	124.38
2pc '06	(69.5)	1.81	1.86	233.5825	-.3914	233.97	208.59
2½pc '09	(78.8)	1.89	2.00	214.9350	-.5485	215.48	187.06
2½pc '11	(74.6)	1.85	2.04	227.8820	-.6422	228.52	195.90
2½pc '13	(89.2)	1.97	2.05	191.6387	-.5151	192.15	162.40
2½pc '16	(81.6)	1.87	2.05	211.2394	-.7694	212.01	175.39
2½pc '20	(83.0)	1.89	2.05	210.0550	-.7283	210.78	170.21
2½pc '24	(97.7)	1.95	2.01	181.8050	-.8550	182.75	142.89
4⅛pc '30	(135.1)	1.97	1.97	180.1560	-.7906	180.95	140.85

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1998: 162.6 and for November 1998: 164.4

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.37	5.25	139⅛	--	139⅛	128⅛
B'ham 11½pc 2012		7.24	5.46	158¾	---	158¾	142½
Leeds 13½pc 2006		9.18	-	147	--	150¾	141½
Liverpool 3½pc Irred		5.47	-	64	---	65	51
LCC 3pc '20 Aft		5.00	-	59	---	59	45
Manchester 11½pc 2007		8.21	5.75	140	---	148½	133½
Met. Wtr. 3pc 'B'		3.22	4.80	93	---	95	85
Anglian Water 3⅛pc IL 2021		-	3.14	180[illegible]	---	187⅞	172¾
4⅛pc IL 2024		-	3.15	176[illegible]	---	187⅞	156¼

■ "Tap" stock. ‡ Gilts exempt from tax to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by [illegible] from Bank of England closing prices. ‡ Indicative price.

هكذا من الأصل

EIGN RATINGS

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NATIVES

plans electronic trading

Yen steals show as euro drifts on by

MARKETS REPORT

By Alan Beattie

The yen chose the euro's second day to make an unwelcome bid for the limelight yesterday, surging up against the dollar as rising bond yields encouraged the repatriation of Japanese capital.

The Japanese currency rose almost to the Y110 level versus the dollar in the Asian trading session, then consolidated to close in London at Y111.6.

Most market participants said they had not seen the Bank of Japan buying dollars in the market to halt the rise of the yen, but that a sustained move below Y110 would almost certainly see some intervention.

Mr Sakakibara, the vice minister for international affairs known as "Mr Yen", tried to put a brave face on the currency's move, saying that it reflected the relative positions of the US and Japanese economies. The weakness of the dollar arose from the "bubble-like" US economy, he said.

He declined to comment on the specific level of the dollar against the yen, often taken as evidence that he was content with the current value of the currency.

But currency analysts outside Japan were almost united in their assertion that the yen's strength reflected oversupply in the Japanese government bond (JGB) market and consequent rising bond yields rather than a recovering economy.

"This is not the first time that Mr Sakakibara has made these comments," said Robin Marshall, chief economist at Chase Manhattan in London. "But this time there are thinly veiled disagreements between him and the Bank of Japan. Not everyone is happy that the yen is as strong as it is."

Mr Marshall said that the yen's rise was entirely caused by short-term capital movements, not the fundamental performance of the Japanese economy.

"The sustainability of this movement is highly questionable," he added. "A lot of yen bears have been caught out by the sudden fall of the dollar. But if you have the nerve, this is a splendid dollar buying opportunity."

"The rise in Japanese real long-term interest rates has now completely negated the effect of the Japanese government's fiscal stimulus," said Michael Rosenberg, head of fixed income research at Merrill Lynch in New York. "And short of monetising the government's debt, there does not appear to be anything the Bank of Japan can do about it."

The euro sank with the dollar in a way familiar to veterans of the D-Mark/yen rate, closing down against the yen at Y131.5. Against the dollar it barely moved, ending at $1.178.

■ The support for the euro from central banks switching their reserves into the new currency may not be as large as some imagine.

The Commercial Times in Taiwan reported yesterday that the Taiwanese monetary authority now holds 30 per cent of its reserves in euros, having throughout 1998 raised the share of euro zone currencies from 25 per cent at the end of 1997.

But Ray Attrill, of economic consultancy 4Cast in London, said that he suspected that the rise in 1998 was larger than the report suggested. "It would be very unusual for a central bank who targetted its currency against the dollar to hold a quarter of its reserves in another currency," he said.

Mr Attrill said his sources suggested that east Asian central bank buying of euro-zone currency assets in 1998 was larger than many imagined, helping to explain the weakness of the dollar in the second half of last year.

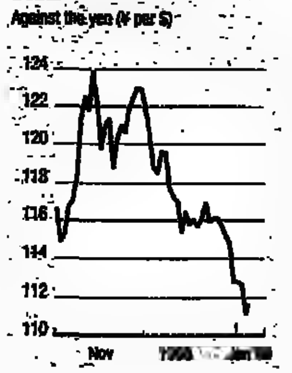
If some of the switch into euro assets by Asian central banks has already taken place, this could reduce the support for the new currency early in 1998.

He added that non-European central banks increasing the euro portion of their portfolios could be offset by conversion of the estimated $35-45bn in euros held by euro-zone central banks. "These euro holdings, which were mainly D-Marks before the launch of the new currency, are now useless as reserves," said Mr Attrill.

"And if I were a euro-zone central banker I would convert them into dollars as fast as possible before finance ministers start eyeing them up as a source of income," he added.

Dollar

Against the yen (¥ per $)



Source: Datastream/ICV

■ **POUND IN NEW YORK**

Jan 5	—Latest—	— Prev. close —
£ spot	1.6555	1.6600
1 mth	1.6539	1.6583
3 mth	1.6516	1.6559
1 yr	1.6490	[illegible]

■ **OTHER CURRENCIES**

Jan 5	£	$
Czech Rep	46.0171 - 46.0805	27.8140 - 27.8440
Hungary	352.001 - 352.480	212.700 - 212.850
Iran	4965.00 - 4985.00	3000.00 - 3000.00
Kuwait	0.4984 - 0.4997	0.3011 - 0.3014
Peru	5.2486 - 5.2545	3.1710 - 3.1730
Poland	5.6446 - 5.6605	3.4100 - 3.4200
Russia	37.0765 - 38.7504	22.4000 - 23.4000
U.A.E.	6.0792 - 6.0827	3.6720 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	19.3335	-0.0247	268 - 408	19.3474	19.2388	19.2836	3.1	19.1968	2.8	18.8937	2.3	103.6
Belgium*	(BFr)	56.6782	-0.0726	573 - 991	56.7060	56.4110	56.5315	3.1	56.2831	2.8	55.3948	2.5	103.7
Denmark	(DKr)	10.4660	-0.0159	585 - 735	10.4786	10.4168	10.4458	2.3	10.4133	2.0	10.2989	1.6	107.8
Finland*	(FM)	8.3539	-0.0107	[illegible]	8.3610	8.3130	8.3322	3.1	8.2956	2.8	8.1647	2.3	83.1
France*	(FFr)	9.2183	-0.0118	129 - 197	9.2234	9.1773	9.1924	3.1	9.1521	2.8	9.0076	2.3	107.2
Germany*	(DM)	2.7480	-0.0035	470 - 490	2.7516	2.7367	2.7409	3.1	2.7288	2.8	2.6858	2.3	105.2
Greece	(Dr)	455.836	-3.8240	476 - 195	459.338	453.963	457.664	-4.4	461.153	-4.7	474.456	-4.1	62.8
Ireland*	(I£)	1.1065	-0.0015	061 - 069	1.1071	1.1007	1.1037	3.1	1.0988	2.8	1.0815	2.3	95.9
Italy*	(L)	2720.49	-3.4800	949 - 149	2721.54	2707.17	2713.49	3.1	2701.53	2.8	2658.83	2.3	78.5
Luxembourg*	(LFr)	56.6782	-0.0726	573 - 991	56.7060	56.4110	56.5315	3.1	56.2831	2.8	55.3948	2.3	103.7
Netherlands*	(Fl)	3.0963	-0.0039	951 - 974	3.1014	3.0818	3.0883	3.1	3.0747	2.8	3.0262	2.3	103.3
Norway	(NKr)	12.3127	-0.1407	058 - 196	12.4186	12.2714	12.3335	-2.0	12.3677	-1.8	12.437	-1.0	99.1
Portugal*	(Es)	281.680	-0.3610	570 - 784	281.790	280.351	280.951	3.1	279.717	2.8	275.302	2.3	93.1
Spain*	(Pta)	233.775	-0.2990	689 - 861	233.870	[illegible]	233.17	3.1	232.148	2.8	228.482	2.3	77.8
Sweden	(SKr)	13.1993	-0.1306	918 - 068	13.3144	13.1580	13.1677	2.9	13.1157	2.5	12.9511	1.9	79.0
Switzerland	(SFr)	2.2644	-0.0088	630 - 657	2.2685	2.2577	2.2543	5.4	2.2368	4.8	2.1806	3.7	107.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.0
Euro	(Euro)	1.4050	-0.0018	045 - 055	1.4276	1.4040	1.4014	3.1	1.3952	2.8	1.3732	2.3	-
SDR†	-	1.191440	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6553	-0.0044	549 - 557	1.6596	1.6538	-	-	-	-	-	-	-
Brazil	(R$)	2.0007	-0.0031	998 - 016	2.0036	1.9995	-	-	-	-	-	-	-
Canada	(C$)	2.5182	-0.0133	167 - 196	2.5349	2.5162	2.5158	1.2	2.5117	1.0	2.5032	0.6	76.3
Mexico	(New Peso)	16.2001	-0.1334	879 - 122	16.3178	16.1863	16.5395	-25.1	17.1485	-23.4	19.8488	-22.5	-
USA	($)	1.6556	-0.0043	552 - 560	1.6600	1.6534	1.654	1.2	1.6517	1.0	1.6492	0.4	108.5
Pacific/Middle East/Africa													
Australia	(A$)	2.6618	[illegible]	590 - 646	2.6710	2.6480	2.6582	1.6	2.653	1.3	2.6426	0.7	78.8
Hong Kong	(HK$)	12.8260	-0.0325	220 - 299	12.8587	12.8097	12.8131	1.2	12.8021	0.7	12.9253	-0.8	-
India	(Rs)	70.4458	-0.1975	205 - 711	70.5800	70.3110	70.6871	-3.8	71.2611	-4.8	75.8668	-7.7	-
Indonesia	(Rupiah)	13037.80	-241.3400	916 - 680	13280.00	12781.40	13363.97	-30.0	13931.85	-27.4	15832.91	-21.4	-
Israel	(Shk)	6.7628	-0.0780	720 - 856	6.8404	6.7727	-	-	-	-	-	-	-
Japan	(Y)	184.782	-2.1980	687 - 876	186.210	182.820	183.822	6.2	182.162	5.7	173.907	4.9	134.3
Malaysia‡	(M$)	6.2916	-0.0163	015 - 015	6.3077	6.2834	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0800	-0.0469	772 - 827	3.1044	3.0741	3.0749	-2.0	3.0888	1.5	3.0649	0.5	89.3
Philippines	(Peso)	62.7887	-1.3005	666 - 108	63.0219	62.5480	63.243	-8.7	64.0781	-8.2	68.3782	-8.9	-
Saudi Arabia	(SR)	6.2092	-0.0167	075 - 108	6.2253	6.2012	6.213	-0.7	6.2225	-0.9	6.2686	-1.3	-
Singapore	(S$)	2.7685	+0.0113	642 - 668	2.7890	2.7327	2.7666	4.7	2.7398	4.0	2.6915	2.7	-
South Africa	(R)	9.5487	-0.2098	381 - 593	9.7236	9.5334	9.6916	-10.4	9.7845	-9.8	10.5222	-10.2	-
South Korea	(Won)	1927.95	-41.1100	[illegible]	1967.10	1923.86	-	-	-	-	-	-	-
Taiwan	(T$)	53.2855	-0.0803	312 - 398	53.4786	53.2146	53.129	3.5	53.1135	1.3	53.3285	-0.1	-
Thailand	(Bt)	59.7572	-0.3212	700 - 844	60.0060	59.6180	59.7086	0.0	59.8647	-0.7	61.0223	-2.1	-

† Rates for Jan 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base Average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	11.6776	+0.0153	761 - 791	11.6820	11.6279	11.669	1.9	11.6238	1.8	11.4572	1.9	103.3
Belgium*	(BFr)	34.2343	+0.0450	299 - 386	34.2400	34.0910	34.1787	1.9	34.0767	1.8	33.5879	1.9	103.7
Denmark	(DKr)	6.3216	+0.0068	192 - 240	6.3272	6.2954	6.3158	1.1	6.3048	1.1	6.2448	1.2	106.8
Finland*	(FM)	5.0458	+0.0067	432 - 485	5.0490	5.0258	5.0378	1.9	5.0226	1.8	4.9506	1.9	82.4
France*	(FFr)	5.5668	+0.0073	660 - 675	5.5697	5.5435	5.5579	1.9	5.5412	1.8	5.4617	1.9	106.8
Germany*	(DM)	1.6598	+0.0022	596 - 600	1.6610	1.6578	1.6571	1.9	1.6522	1.8	1.6285	1.9	104.9
Greece	(Dr)	275.330	-1.5900	180 - 480	276.340	274.220	276.71	-6.0	279.205	-5.8	287.68	-4.5	82.2
Ireland*	(I£)	1.4962	-0.0020	960 - 964	1.5049	1.4954	1.4986	-1.9	1.5031	-1.8	1.525	-1.9	-
Italy*	(L)	1643.20	+2.1500	300 - 341	1643.50	1636.33	1640.58	1.9	1635.63	1.8	1612.17	1.9	78.2
Luxembourg*	(LFr)	34.2343	+0.0450	299 - 386	34.2400	34.0910	34.1797	1.9	34.0767	1.8	33.5879	1.9	103.7
Netherlands*	(Fl)	1.8702	+0.0025	699 - 704	1.8708	1.8623	1.8672	1.9	1.8616	1.8	1.8349	1.9	103.1
Norway	(NKr)	7.4370	-0.0855	345 - 395	7.4955	7.4085	7.457	-3.2	7.488	-2.7	7.541	-1.4	91.3
Portugal*	(Es)	170.135	+0.2240	110 - 160	170.180	169.430	169.867	1.9	169.355	1.8	166.926	1.9	93.3
Spain*	(Pta)	141.203	+0.1850	185 - 221	141.240	[illegible]	140.978	1.9	140.553	1.8	138.537	1.9	77.3
Sweden	(SKr)	7.9725	-0.0580	700 - 750	8.0258	7.9411	7.9614	1.7	7.9409	1.6	7.8527	1.5	78.6
Switzerland	(SFr)	1.3677	-0.0006	672 - 682	1.3692	1.3644	1.3629	4.2	1.3531	3.7	1.3221	3.3	107.3
UK	(£)	1.6556	-0.0043	552 - 560	1.6600	1.6534	1.654	1.2	1.6517	1.0	1.6492	0.4	99.8
Euro	(Euro)	1.1784	-0.0015	782 - 786	1.1845	1.1836	1.1803	-1.9	1.1836	-1.8	1.201	-1.9	-
SDR†	-	0.71021	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.2085	+0.0013	082 - 087	1.2092	1.2080	-	-	-	-	-	-	-
Canada	(C$)	1.5210	-0.0041	205 - 215	1.5233	1.5205	1.5209	0.0	1.5206	0.1	1.5177	0.2	75.7
Mexico	(New Peso)	9.7850	-0.0680	800 - 900	9.7930	9.7800	10	-26.4	10.3835	-24.4	12.035	-23.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.8
Pacific/Middle East/Africa													
Australia	(A$)	1.6077	[illegible]	064 - 090	1.6095	1.5995	1.6088	0.6	1.6043	0.8	1.5956	0.9	78.4
Hong Kong	(HK$)	7.7470	+0.0005	465 - 475	7.7477	7.7445	7.747	0.0	7.751	-0.2	7.837	-1.2	-
India	(Rs)	42.5500	[illegible]	450 - 550	42.5620	42.5200	42.7288	-5.0	43.145	-5.6	46	-8.1	-
Indonesia	(Rupiah)	7875.00	-125.0000	500 - 500	8000.00	7710.80	8080	-31.2	8435	-28.4	9600	-21.9	-
Israel	(Shk)	4.0969	-0.0352	919 - 018	4.1327	4.0913	-	-	-	-	-	-	-
Japan	(Y)	111.610	-1.0950	[illegible]	112.370	110.530	111.14	5.1	110.285	4.7	[illegible]	4.8	138.4
Malaysia‡	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8585	-0.0226	[illegible]	1.8751	1.8526	1.8634	-2.0	1.8698	-1.8	1.8876	-1.5	-
Philippines	(Peso)	37.9250	-0.6250	000 - 500	38.0500	37.8000	38.2375	-9.9	38.798	-9.2	41.48	-9.3	-
Saudi Arabia	(SR)	3.7504	-0.0004	503 - 505	3.7506	3.7503	3.7564	-1.9	3.7674	-1.8	3.8129	-1.7	-
Singapore	(S$)	1.6710	+0.0111	700 - 720	1.6725	1.6605	1.6661	3.5	1.6582	3.1	1.632	2.3	-
South Africa	(R)	5.7675	-0.1113	625 - 725	5.8730	5.7625	5.8225	-11.7	5.924	-10.9	6.38	-10.0	-
South Korea	(Won)	1164.50	-27.7500	[illegible]	1184.00	1160.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.1850	+0.0350	[illegible]	32.2200	32.1600	32.1228	2.3	32.1575	0.3	[illegible]	-0.5	-
Thailand	(Bt)	36.1000	-0.1000	500 - 500	36.1500	36.0100	36.135	-1.2	36.245	-1.6	37	-2.5	-

† SDR rate per $ for Jan 4. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is [illegible]. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Jan 4: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Pound table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member.

The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Jan 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	3⅛	3¼	3⅛	3¼	3⅛	-	3.00	3.00
Switzerland	⅞	1⅛	1⅛	1⅛	1¼	-	1.00	-
US	4⅞	5	5	5	5⅛	-	4.50	-
Japan	¼	⅛	⅜	⅛	⅜	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅛	5⅛	5⅛	5⅛	-	-	-
US Dollar CDs	-	4.88	4.84	4.82	4.85	-	-	-
Euro Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
SDR Linked Ds	-	3⅜	3¼	3¼	3¼	-	-	-
BBA Euro Libor	-	3¼	3¼	3¼	3¼	-	-	-
Euro Euribor	-	3¼	3¼	3¼	3¼	-	-	-
EONIA*	3.2	-	-	-	-	-	-	-
EURONIA	3.2037	-	-	-	-	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
*EONIA rate for Jan 5th. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Jan 5	Short term	7 days notice	One month	Three months	Six months	One year
Euro	3⅛ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	4¼ - 3½	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞
Sterling	6¼ - 6⅛	6⅛ - 6⅛	[illegible]	6¼ - 6	5⅞ - 5⅞	5⅝ - 5½
Swiss Franc	⅝ - ½	1⅛ - ⅞	1⅛ - ⅞	1⅛ - 1⅛	1½ - 1⅜	1⅝ - 1⅜
Canadian Dollar	5 - 4¾	5⅛ - 4⅞	5 - 4⅞	5 - 4⅞	4⅞ - 4¾	4⅞ - 4¾
US Dollar	4⅞ - 4⅝	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 4⅞
Japanese Yen	⅛ - ⅛	⅜ - ⅛	⅜ - ⅛	⅝ - ⅜	⅝ - ½	⅝ - ½
Asian $Sing	½ - ¼	1½ - ⅞	1½ - 1¼	2¼ - 1¾	2½ - 1¾	3 - 2¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.87	96.87	-0.01	96.89	96.87	6,520	22,315
Jun	96.99	96.99	[illegible]	97.01	96.99	3,045	26,543

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.805	96.810	+0.010	96.810	96.805	1075	21811
Jun	96.985	97.000	+0.015	97.010	96.985	51868	397989
Sep	97.000	97.025	+0.030	97.035	96.995	45166	286733
Dec	96.725	96.790	+0.065	96.795	96.725	27081	205213

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
	-	-	-	-	-	-	

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.870	96.880	+0.005	96.890	96.870	2044	243849
Jun	97.000	97.000	[illegible]	97.010	97.000	1483	70793
Sep	97.020	97.020	+0.025	97.030	97.020	141	42891
Dec	96.790	96.790	+0.065	96.790	96.770	49	41187

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.410	98.470	+0.060	98.490	98.400	14389	62009
Jun	98.310	98.360	+0.050	98.380	98.290	7349	34375
Sep	98.240	98.260	+0.060	98.260	98.240	1089	19470
Dec	97.870	97.880	+0.070	97.890	97.860	1537	8743

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.32	+0.03	-	-	0	n/a
Jun	-	99.36	[illegible]	-	-	0	n/a
Sep	-	99.39	+0.04	-	-	0	n/a

* LIFFE futures also traded on APT.

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	96.810	+0.010	-	-	0	0
Jun	-	97.000	+0.015	-	-	0	2233
Sep	-	97.025	+0.030	-	-	0	1101
Dec	-	96.790	[illegible]	-	-	0	668

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
96875	0.085			0.080		
97000	0.050	0.180	0.205	0.170	0.160	0.185
97125	0.020			0.266		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3325 Puts 5473

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.47	16.26	4.848	1.952	4800	5.463	21.72	497.0	412.5	23.29	3.985	1.765	4.443	2.921	326.0	2.479
Denmark	(DKr)	54.15	10	8.806	2.626	1.057	2599	2.958	11.76	269.1	223.4	12.61	2.164	0.955	2.406	1.582	176.6	1.342
France*	(FFr)	61.50	11.36	10	2.982	1.201	2952	3.360	13.36	305.6	253.7	14.32	2.457	1.085	2.732	1.796	200.5	1.525
Germany*	(DM)	20.63	3.809	3.354	1	0.403	990.0	1.127	4.481	102.5	85.07	4.803	0.824	0.364	0.916	0.603	67.24	0.511
Ireland*	(I£)	51.22	9.458	8.329	2.483	1	2459	2.798	11.13	254.6	211.3	11.93	2.046	0.904	2.276	1.496	167.0	1.270
Italy*	(L)	2.083	0.385	0.339	0.101	0.041	100	0.114	0.453	10.35	8.593	0.485	0.083	0.037	0.093	0.061	6.792	0.052
Netherlands*	(Fl)	18.31	3.380	2.977	0.886	0.357	878.6	1	3.977	90.97	75.50	4.263	0.731	0.323	0.813	0.535	59.68	0.454
Norway	(NKr)	46.03	8.500	7.485	2.232	0.899	2209	2.515	10	228.8	189.9	10.72	1.839	0.812	2.045	1.345	150.1	1.141
Portugal*	(Es)	20.12	3.715	3.272	0.976	0.393	965.6	1.099	4.371	100	82.99	4.686	0.804	0.355	0.894	0.588	65.60	0.499
Spain*	(Pta)	24.24	4.477	3.942	1.175	0.473	1164	1.324	5.267	120.5	100	5.646	0.969	0.428	1.077	0.708	79.04	0.601
Sweden	(SKr)	42.94	7.929	6.982	2.082	0.838	2061	2.346	9.328	213.4	177.1	10	1.716	0.758	1.908	1.254	140.0	1.064
Switzerland	(SFr)	25.03	4.622	4.070	1.214	0.489	1201	1.367	5.436	124.4	103.2	5.829	1	0.442	1.112	0.731	81.60	0.621
UK	(£)	56.67	10.47	9.215	2.748	1.106	2720	3.096	12.31	281.7	233.8	13.20	2.264	1	2.516	1.656	184.8	1.405
Canada	(C$)	22.51	4.156	3.660	1.091	0.439	1080	1.230	4.890	111.9	92.85	5.242	0.899	0.397	1	0.657	73.38	0.558
USA	($)	34.23	6.322	5.567	1.660	0.668	1643	1.870	7.437	170.1	141.2	7.973	1.368	0.604	1.521	1	111.6	0.849
Japan	(Y)	30.67	5.664	4.988	1.487	0.599	1472	1.676	6.663	152.4	126.5	7.145	1.225	0.541	1.363	0.896	100	0.760
Euro	(Euro)	40.34	7.449	6.560	1.956	0.786	1936	2.204	8.763	200.5	166.4	9.394	1.612	0.712	1.792	1.178	131.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6073	0.6048	-0.0021	0.6075	0.6046	15,872	84,552
Jun	0.6061	0.6081	-0.0016	0.6081	0.6076	14	1,284
Sep	-	0.6126	-	-	-	18	138

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7366	0.7363	-0.0008	0.7384	0.7352	8,947	27,179
Jun	-	0.7426	-	-	-	9	389
Sep	-	0.7485	-0.0008	-	-	1	321

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9004	0.9078	+0.0067	0.9137	0.8982	18,980	74,060
Jun	0.9188	0.9188	+0.0071	0.9195	0.9188	42	4,013
Sep	0.9310	0.9303	+0.0082	0.9310	0.9303	3	1,345

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6566	1.6524	-0.0010	1.6576	1.6500	6,447	40,364
Jun	-	1.6498	-0.0012	1.6530	1.6498	11	1,213
Sep	-	1.6504	-	-	-	260	230

EMS EUROPEAN CURRENCY UNIT RATES

Jan 5	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	324.70	-2.45	-8.05	8.59	64
Denmark	7.46038	7.4496	-0.0005	-0.15	0.00	1
NON ERM MEMBERS						
UK	0.853644	0.71220	+0.0011	8.86	-8.36	-

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.660	0.92	1.73	2.22	1.21	2.16	2.72
1.670	0.59	1.32	1.80	1.66	2.70	3.30
1.680	0.34	1.01	1.47	-	-	-

Previous day's vol., Calls 0 Puts 20 . Prev. day's open int., Calls 848 Puts 2,017

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
0.595	1.10	-	-	0.13	0.42	0.61
0.600	0.75	1.17	1.46	0.27	0.59	0.77
0.605	0.43	0.88	1.17	0.39	0.81	1.03

Previous day's vol., Calls 8 Puts 0 . Prev. day's open int., Calls 736 Puts 3,882

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.04	95.03	-	95.05	95.01	59,381	493,396
Jun	95.11	95.09	-	95.12	95.08	60,218	401,531
Sep	95.13	95.11	-0.01	95.14	95.09	59,285	365,240

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.72	95.73	-0.02	95.73	95.72	55	2,115
Jun	95.84	95.84	+0.01	95.84	95.84	4	82

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
96875	0.040	0.060	0.085		0.035	0.055	0.080	
97000	0.010	0.030	0.050	0.160	0.130	0.150	0.170	0.160
97125	0.005	0.015	0.020		0.250	0.260	0.265	
97250	0	0.005	0.015	0.080	0.370	0.375	0.385	0.310

Est. vol. total, Calls 17787 Puts 450. Previous day's open int., Calls 667086 Puts 320904

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
98500	0.150	0.180	0.210	0.180	0.320	0.450
98625	0.090			0.245		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3225 Puts 2062

UK INTEREST RATES

LONDON MONEY RATES

Jan 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 2	6⅛ - 5⅞	6¼ - 6⅛	6⅛ - 6	5⅞ - 5¾	5⅝ - 5½
Sterling CDs	-	-	6⅛ - 6	6⅛ - 5⅞	5⅞ - 5¾	5⅝ - 5½
Treasury Bills	-	-	6 - 5⅞	5¾ - 5⅝	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5¾	-	-
Local authority deps.	5¾ - 5¼	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6	5⅞ - 5¾	5¾ - 5⅝
Discount Market deps	6¼ - 5	6 - 5¾	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from Dec 10, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	5.5	5.5	5.25	5.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Dec 31. 5.5552pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 31, 1998. Agreed rate for period Jan 26, 1999 to Feb 23, 1999, Scheme III 7.74pc. Reference rate for period Dec 1, 1998 to Dec 31, 1998, Schemes IV & V 6.601pc. Finance House Base Rate 7pc for Jan 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.440	94.430	-0.010	94.440	94.410	26555	186958
Jun	94.810	94.810	-	94.820	94.770	27061	176153
Sep	94.920	94.940	+0.020	94.950	94.880	23325	151873
Dec	94.600	94.660	+0.060	94.670	94.590	10282	131630
Mar	94.880	94.910	+0.030	94.920	94.860	7470	114863

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

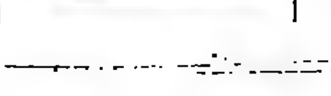
Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
94250	0.270	0.545	0.830	0.090	0.085	0.140
94375	0.195			0.140		
94500	0.140	0.465	0.650	0.210	0.155	0.210
94625	0.095			0.290		
94750	0.060	0.315	0.495	0.380	0.255	0.305
94875	0.040			0.485		

Est. vol. total, Calls 6767 Puts 10594. Previous day's open int., Calls 412519 Puts 405756

BASE LENDING RATES

	%
Adam & Company	6.25
Allied Irish Bank (GB)	6.25
●Henry Ansbacher	6.25
Banco Bilbao Vizcaya	6.25
Bank of Cyprus	6.25
Bank of Ireland	6.25
Bank of India	6.75
Bank of Scotland	6.25
Barclays Bank	6.25
Brit Bk of Mid East	6.25
●Brown Shipley & Co Ltd	6.25
Citibank NA	6.25
Clydesdale Bank	6.25
The Co-operative Bank	6.25
Coutts & Co	6.25
Cyprus Popular Bank	6.25
Duncan Lawrie	6.25
Exeter Trust Limited	7.25
Financial & Gen Bank	8.00
●Robert Fleming & Co	6.25
Habib Bank AG Zurich	6.25
Heritable & Gen Inv Bk	6.25
C. Hoare & Co	6.25
●SG Hambros Bank & Trust	6.25
Hongkong & Shanghai	6.25
Investec Bank (UK) Ltd	6.25
Julian Hodge Bank	6.25
●Leopold Joseph & Sons	6.25
Lloyds Bank	6.25
Midland Bank	6.25
NatWestminster	6.25
●Rea Brothers	6.25
Royal Bk of Scotland	6.25
Scottish Widows Bank	6.75
●Singer & Friedlander	6.25
Smith & Williamson	6.25
Sun Bank	6.25
TSB	6.25
United Bank of Kuwait	6.25
Unity Trust Bank Plc	6.25
Whiteaway Laidlaw	6.25
Yorkshire Bank	6.25

● Members of London Investment Banking Association



COMMODITIES & AGRICULTURE

Brazilian coffee exports jump

By Paul Solman

Brazil's coffee exports rose more than 50 per cent in November, according to latest figures from the International Coffee Organisation.

Exports from the world's largest coffee producer reached about 1.9m 60kg bags, compared with 1.2m bags in November 1997, the result of the year's record harvest.

Colombia, the second largest producer, also increased its exports in November by almost 20 per cent year-on-year to more than 1m bags.

The ICO report showed a sharp drop in exports from central American coffee growers. However, analysts said the figures reflected seasonal variations rather than any impact from Hurricane Mitch, which swept through the region at the end of October, killing thousands and destroying crops.

"Lower figures from central America were to be expected at the tail-end of the 1997/98 season," one analyst said yesterday. "Any effects from Hurricane Mitch are likely to show up in export data later in the season. Local figures suggest exports are not being hit at the moment."

Honduras, which suffered the most severe crop damage from Hurricane Mitch, increased its exports during the first three months of the 1998/99 coffee season, which began in October.

Exports from October to December were 437,000 46kg bags against 397,000 bags in the same period of the previous season, Honduras said this week.

Among the big Asian producers, the ICO said Indonesia increased its coffee exports in November to 413,000 60kg bags from 290,000 the year before, while Vietnam's overseas sales were down to 552,000 bags from 814,000 in 1997.

Gold accounts for most exploration spending

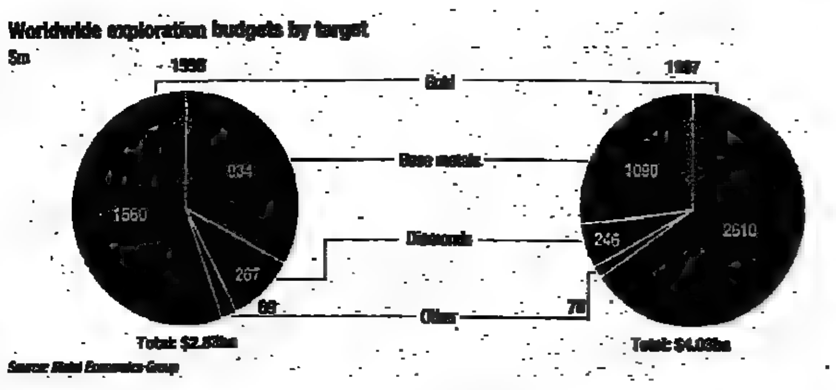
By Gillian O'Connor

Gold still accounted for the lion's share of mining companies' worldwide exploration expenditure in 1998, but it was a much smaller bite of a sharply reduced total.

Moreover, the largest companies have been minimising their spending on exploration, according to Metals Economics Group, the Canadian consultancy.

This was partly because the main companies have been able to buy control of promising prospects found by smaller companies very cheaply, because of the share price falls of the "junior" companies after the Bre-X scandal that rocked the industry in 1997.

Worldwide exploration budgets by target



Source: Metals Economics Group

MEG's Strategic Report estimates that gold accounted for only 55 per cent ($1.56bn) of total 1998 exploration spending of $2.83bn. This compares with almost 65 per cent ($2.6bn) of a total of $4.03bn in 1997.

Base metals took 33 per cent ($934m) compared with 27 per cent ($1.09bn) in 1997.

An earlier report from the consultancy had already shown that total spending was roughly a third down on the year, and that Latin America was the most popular area, with Africa jostling Australia for second place.

Diamond exploration spending was the only type to show an absolute increase as well as a percentage one: it accounted for 9.4 per cent of the total ($267m) against 6.1 per cent ($246m).

MEG says this is because De Beers, the big South African company, operates a stockpiling policy that has kept prices relatively resilient, and because of some recent exploration successes involving companies other than De Beers.

Once again most base metal spending went on copper, but its share of the base metal total was down: 59 per cent ($552m) against almost 63 per cent ($687m) in 1997.

Unlike gold, the proportion of total base metal spending on exploration rose sharply, in percentage terms. The absolute figure was only slightly down at $496m compared with $504m, but as a percentage it increased to more than 40 per cent, after sticking at about 28 per cent for the three previous years.

Strategic Report from Metals Economics Group, PO Box 2206, Halifax, Nova Scotia B3J 3C4, Canada. US$1,500 a year

Futures trading volumes up on IPE

MARKETS REPORT

By Robert Corzine and Gillian O'Connor

Trading volumes in energy futures on London's International Petroleum Exchange rose by a third last year as a result of the extreme volatility in oil prices.

Brent Crude futures, which accounted for 70 per cent of the volume traded, averaged just under a record 54,000 lots a day. Trading in gas oil futures was up 25 per cent, while volumes in the UK natural gas contract, launched last January, rose steadily over the year.

The uncertain oil price outlook, which drove trading last year, was evident again yesterday. In late trading, the bellwether February Brent contract was down 26 cents at $10.70 a barrel.

Several metal prices touched fresh lows on the London Metal Exchange: copper hit an 11½-year low, while aluminium and zinc hit five-year lows. Traders blamed further selling by investment funds, but analysts at Macquarie say it is the fundamentals causing the price collapse.

They say that changes in LME warehouse stocks, one of the most reliable indicators of market surplus or deficit, point to a continuing deterioration in fundamentals for most metals, with aluminium, copper and nickel all recording substantial increases in stocks. Only zinc continues to look in relatively good shape.

Prices had recovered by the close, with three-month copper just above $1,440 a tonne.

On the bullion market, platinum eased slightly, because traders had already anticipated the settlement of the two-week strike at South African Anglo American Platinum Corporation, the world's largest producer.

Panama sees a future in fish

With recent technology upgrades seafood has overtaken bananas as the country's top export, says **James Wilson**

One theory says Panama's name means "abundance of fish" in one of the languages spoken there before the Spanish conquest. Now it may be set to recapture that reputation while losing another tag – that of banana republic.

Bananas have long been the staple of Panama's limited range of exports, but latest figures show seafood overtaking bananas as the country's top export earner. In the first nine months of 1998, exports of shrimp and shrimp larvae alone were worth $106m compared with $98m for bananas.

True, banana production was hit by a two-month strike, which wiped out a large chunk of the crop from one big plantation and led to a 27 per cent fall in sales. Production is expected to rebound in 1999, with the plantation's owners, an offshoot of US company Chiquita, spending $35m to overcome the effects of the stoppage.

Furthermore, Panama's deep sea fishermen were temporarily helped – for a change – by El Niño, the weather phenomenon that drove fish stocks into their waters from more inhospitable climes further south.

But the present situation reflects a longer-term trend – strong growth in seafood, especially shrimp, and stagnation in the banana sector – that shows how Panama's exports are influenced by the different treatment meted out to the products by importing countries.

While seafood exporters say their produce is relatively easy to place, banana exports are being affected by a wrangle with the European Union over its treatment of Latin American bananas.

Panama is one of five banana growing countries, together with the US, that won a World Trade Organisation judgment against the EU for the way it restricted imports from Latin America, to protect banana production in former British and French colonies in Africa and the Caribbean.

Rodolfo Espino, of Panama's banana commission, is optimistic that a resolution of the dispute will improve the outlook – indeed he says Chiquita has plans to plant 4,000 extra hectares of the fruit. But the argument over access to the EU is dragging on and until it is resolved, Latin American bananas will continue to have problems finding a way on to the European market.

Panama has been hit hard by the EU regime, as production has switched to countries with either their own quotas, such as Costa Rica or Colombia, or where labour is cheaper than in Panama's dollar economy.

Its exports to the EU fell by 40 per cent between 1992 and 1997, from 36.5m boxes to 22m. Germany, which bought nearly 24m boxes in 1992, last year bought only 4m. Panama has slumped to fifth among exporters to the EU from second at the start of the decade.

Exports to other regions have compensated in part for this drastic drying up. Sales to the US have grown from 2.5m boxes to more than 11m in the same period.

Panamanian seafood exporters say their produce is relatively easy to place Panos Pictures

But overall export volumes are down nearly 20 per cent from a few years ago.

No such problems have affected seafood producers, especially those in the business of cultivating shrimp in tanks. Panama claims to be Latin America's fourth largest producer of farmed shrimp and the leader in exports of shrimp larvae.

Shrimp export sales in the first nine months of 1998 were up 48 per cent, while sales of larvae rose 84 per cent. Fish sales have grown too and total seafood exports had reached more than $135m by October.

Juan Bulnes, president of the seafood exporters' association, says the country is reaping the benefits of upgrades in technology in recent years. "We have been preparing in a sustained way," he says.

The seafood sector is likely to grow strongly. Many salt production plants in coastal areas, which have abandoned the struggle to compete with cheaper imports, can be converted into shrimp farms, according to Laura Flores, Panama's deputy foreign trade minister.

Ricardo Tuñon, of Panama's Foreign Trade Institute, says that points to even more exports. "There is a big market in the US and we see a big future in it," he says. The US buys 80 per cent of Panama's seafood exports.

Ms Flores says Panama is "working daily" on resolving the access issue for bananas, but says the country is greatly in favour of the growing diversification, which also encompasses more production of non-traditional fruits such as melons and pineapples.

"We need to look for alternatives. We cannot sit back and wait for the problem to be solved," she says.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1212.5-3.5	1220-21
Previous	1223-24	1230-31
High/low		1230/1220
AM Official	1210-10.5	1220.5-21.0
Kerb close		1226-9
Open int.	304,947	
Total daily turnover	80,912	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1015-20	1045-50
Previous	1020-25	1050-55
High/low		1048/1045
AM Official	1015-20	1045-50
Kerb close		1040-50
Open int.	8,849	
Total daily turnover	2,786	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	474.5-5.5	481-2
Previous	487.5-8.5	489-9.5
High/low		487/481
AM Official	480-81	487-8
Kerb close		483-4
Open int.	37,433	
Total daily turnover	9,271	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	3910-20	3980-85
Previous	3970-75	4040-50
High/low		4050/3970
AM Official	3955-65	4025-30
Kerb close		3985-90
Open int.	66,685	
Total daily turnover	17,120	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5010-20	5010-15
Previous	5120-30	5125-30
High/low		5135/5010
AM Official	5090-100	5090-100
Kerb close		5015-25
Open int.	20,225	
Total daily turnover	8,328	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	899.5-900.5	917-17.5
Previous	903-4	920-20.5
High/low		928/914
AM Official	899-900	916.5-17.0
Kerb close		927-8
Open int.	88,619	
Total daily turnover	30,764	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1409.5-10.5	1438-39
Previous	1435-36	1463-64
High/low		1459/1435
AM Official	1414-14.5	1441-42
Kerb close		1443-44
Open int.	165,327	
Total daily turnover	76,987	

■ LME AM Official £/$ rate: 1.6567
LME Closing £/$ rate: 1.6555

Spot: 1.6555 3 mths: 1.6528 6 mths: 1.6508 9 mths: 1.6501

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	63.90	-0.55	64.45	63.70	598	1,652
Feb	64.25	-0.65	65.00	64.20	203	2,552
Mar	64.70	-0.70	65.45	64.20	12,107	45,767
Apr	65.15	-0.70	65.15	64.70	249	1,587
May	65.60	-0.70	66.00	65.40	496	6,057
Jun	66.05	-0.70	65.80	65.80	315	1,268
Total					15,478	75,529

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	286.80-287.30		
Opening	287.10-287.40		
Morning fix	288.25	173.854	394.758
Afternoon fix	287.15	172.93	392.678
Day's High	287.60-287.90		
Day's Low	286.10-286.40		
Previous close	286.50-287.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.24 6 months 3.87
2 months ....4.18 12 months 3.52
3 months 4.14

Silver Fix	p/troy oz.	US cts equiv.
Spot	296.59	491.00

Silver Lending Rates

1 month ....4.10 6 months 2.45
2 months ....3.45 12 months 2.20
3 months 3.40

Gold Coins	$ price	£ equiv.
Krugerrand	290-294	175-178
New Sovereign	67-71	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	287.8	-0.5	288.6	287.0	25,884	78,037
Apr	289.6	-0.5	290.6	289.0	2,627	21,736
Jun	291.7	-0.4	292.3	291.1	2,506	15,645
Aug	293.5	-0.4	-	-	101	6,814
Oct	295.3	-0.4	295.0	295.0	100	2,529
Dec	297.0	-0.4	297.9	297.0	[illegible]	12,435
Total					31,882	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	357.1	-6.7	363.0	358.0	554	553
Apr	359.6	-7.2	367.1	359.5	2,843	9,348
Jul	361.1	-7.4	362.0	362.0	67	586
Oct	362.4	-7.4	367.0	367.0	11	1,094
Total					3,405	11,581

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	328.75	-10.70	337.00	327.00	180	2,772
Jun	318.75	-10.70	-	-	2	81
Sep	318.75	-10.70	-	-	-	127
Total					181	2,981

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	500.4	+10.2	488.0	488.0	59	38
Mar	504.2	+10.2	505.0	490.0	15,090	50,328
May	507.6	+10.1	509.5	498.0	257	8,904
Jul	509.8	+10.0	511.0	500.0	45	6,398
Sep	511.9	+9.9	489.5	489.5	11	1,581
Dec	513.7	+9.7	516.0	506.0	42	5,981
Total					17,312	75,278

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	12.07	-0.27	12.42	11.93	59,108	102k
Mar	12.20	-0.27	12.55	12.10	23,805	65,923
Apr	12.40	-0.23	12.72	12.30	11,240	34,835
May	12.57	-0.23	12.89	12.54	6,294	25,676
Jun	12.76	-0.20	13.07	12.72	4,022	25,755
Jul	12.89	-0.07	13.02	12.89	370	21,433
Total					119,815	480,439

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	10.70	-0.26	11.05	10.58	18,166	62,259
Mar	10.84	-0.12	11.18	10.75	12,495	48,169
Apr	11.06	-0.08	11.39	10.96	6,385	22,539
May	11.26	-0.08	11.57	11.17	2,831	15,165
Jun	11.46	-0.07	11.71	11.38	2,544	32,100
Jul	11.66	-0.06	11.90	11.80	597	8,700
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	34.50	-0.64	35.45	34.30	17,767	63,504
Mar	34.90	-0.69	35.80	34.75	5,062	25,649
Apr	35.25	-0.54	36.05	35.15	1,540	17,223
May	35.50	-0.59	35.60	35.50	537	10,807
Jun	36.20	-0.44	36.25	36.15	457	10,672
Jul	37.00	+0.36	37.20	37.00	146	8,425
Total					26,857	176,715

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	98.25	-1.00	101.50	97.75	11,693	31,005
Feb	100.25	+1.00	103.50	99.50	10,035	28,651
Mar	102.25	+1.00	104.75	101.75	1,308	14,494
Apr	104.00	+0.75	106.50	104.00	352	9,328
May	106.00	+1.00	108.00	106.00	659	4,955
Jun	108.00	+1.25	110.25	108.00	394	11,399
Total					26,000	140,386

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	10.250	-0.470	10.400	10.100	1,180	6,690
Mar	9.530	-0.220	9.620	9.400	310	5,565
Total					3,285	27,495

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	1.960	-0.097	2.079	1.960	28,958	46,350
Mar	1.985	-0.068	2.055	1.960	9,666	27,879
Apr	1.960	-0.043	2.010	1.940	5,698	20,305
May	1.965	-0.035	2.000	1.950	2,994	13,539
Total					53,888	221,910

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	36.70	-0.82	37.75	36.50	11,589	34,336
Mar	37.85	-0.60	38.75	37.65	4,028	11,686
Apr	41.00	-0.60	41.80	40.95	906	14,491
May	41.75	-0.75	42.70	41.75	689	13,027
Jun	42.50	-0.80	43.30	42.50	602	8,777
Jul	42.80	-0.30	43.60	42.75	1,025	10,329
Total					19,114	108,022

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	78.40	+0.05	78.25	78.00	31	366
Mar	79.50	+0.50	79.50	79.25	55	3,076
May	81.50	+0.65	81.50	81.10	78	3,373
Jul	83.50	+0.70	83.25	83.00	30	330
Sep	81.25	+0.65	-	-	-	724
Nov	83.00	+0.65	83.00	83.00	50	1,311
Total					244	8,707

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	280.25	+1.25	281.00	277.00	8,914	71,421
May	290.25	+0.75	291.00	288.00	912	11,245
Jul	300.50	+1.25	301.50	298.00	1,481	26,976
Sep	310.00	+1.00	310.75	308.00	30	1,635
Dec	323.50	+1.00	324.00	322.00	12	1,716
Total					10,481	114,993

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	217.25	+2.00	218.00	215.00	23,426	183,031
May	[illegible]	+2.00	[illegible]	221.25	[illegible]	[illegible]
Jul	229.50	+1.50	230.00	228.00	5,192	61,812
Sep	236.50	+0.50	236.25	234.75	337	14,405
Dec	241.75	+1.00	242.25	240.50	1,298	29,168
Mar	249.00	+1.00	249.25	248.00	181	2,092
Total					35,684	[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	78.75	+1.00	-	-	-	142
Mar	80.00	+1.00	-	-	-	521
May	81.25	+1.00	-	-	-	42
Sep	79.50	+0.65	-	-	-	25
Nov	81.50	+0.65	-	-	-	45
Total					-	795

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	549.25	+5.50	550.00	541.00	6,195	14,780
Mar	551.25	+5.25	552.00	542.50	21,348	58,114
May	557.00	+5.50	557.75	550.00	2,404	19,734
Jul	562.50	+5.50	562.75	554.00	1,895	23,950
Aug	563.00	+5.25	562.75	558.50	330	5,675
Sep	561.50	+4.00	563.25	559.25	290	1,330
Total					33,399	139,277

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	23.43	+0.29	23.48	23.15	2,853	2,872
Mar	23.63	+0.24	23.72	23.33	8,083	54,631
May	23.85	+0.22	23.94	23.56	2,122	19,313
Jul	24.05	+0.20	24.14	23.90	481	17,897
Aug	24.10	+0.17	24.20	23.95	282	4,449
Sep	24.18	+0.18	24.20	24.10	291	2,956
Total					14,221	108,077

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	142.8	-0.3	144.0	141.7	4,544	18,528
Mar	141.2	-0.2	141.7	139.9	5,778	44,701
May	142.8	+0.1	143.2	141.8	1,505	17,438
Jul	145.7	+0.7	145.8	143.3	1,125	18,998
Aug	147.3	+0.8	147.4	145.5	239	4,581
Sep	148.3	+0.2	148.5	148.8	288	4,728
Total					13,699	111,588

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	250.0	-	-	-	-	-
Apr	331.0	+5.0	331.0	325.0	123	2,121
May	341.0	+5.0	-	-	-	29
Jun	351.0	+5.0	-	-	-	-
Nov	85.0	-	-	-	-	3
Total					123	2,121

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	795	-	795	790	57	494
Feb	825	+10	815	810	73	111
Apr	820	+15	920	900	64	925
Jul	810	+5	810	810	-	438
Oct	916	-	-	-	-	381
Total					240	2,381

	Close	Prev
BFI	779	784

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	428.00	+3.50	428.00	423.50	34	494
Jun	449.50	+2.50	449.50	449.50	10	94
Total					44	[illegible]

FUTURES DATA
All futures data supplied by CMS.

Tea from the Tea Brokers' Association Mombasa The year opened to strong general demand. Brighter BP1's advanced by 5-20 cents and mediums by 5-10 cents. Neater lower mediums were firm to 5 cents dearer but fibrous sorts were 2-5 cents easier. Plainer sorts sold at dearer rates. Brighter liquoring and mediums PF1's appreciated by 5-15 cents. Lower mediums and plainer sorts were dearer. Brighter P.Dusts were dearer with mediums up by about 5-15 cents. Lower medium and plainer sorts sold at firm to dearer rates. Dust1's of all categories were dearer. Neat leaf and brighter secondary fannings and dusts were dearer with others firm.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	897	+7	908	891	4,794	54,984
May	926	+8	929	911	1,886	[illegible]
Jul	946	+8	945	935	298	12,956
Sep	957	+7	966	952	114	29,256
Dec	980	+6	990	976	197	16,421
Mar	1013	+7	1012	1006	75	12,709
Total					7,780	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1392	+9	1396	1380	5,525	36,222
May	1403	+10	1407	1380	925	17,706
Jul	1426	+10	1428	1404	152	5,606
Sep	1449	+10	1445	1433	127	4,396
Dec	1482	+11	1486	1470	423	5,822
Mar	1514	+11	-	-	125	6,242
Total					7,036	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Jan 4	Price	Prev. day
Daily	1032.22	1036.92

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1872	-2	1886	1866	565	7,141
Mar	1822	-7	1837	1815	2,708	26,766
May	1756	-16	1772	1748	589	7,989
Jul	1735	-16	1748	1730	40	1,585
Sep	1715	-19	1726	1721	[illegible]	606
Nov	1700	-20	1710	1710	10	[illegible]
Total					3,817	44,404

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	119.00	-3.60	125.60	116.00	11,900	26,066
May	118.85	-3.75	124.75	117.00	1,622	5,861
Jul	120.00	-3.05	124.25	118.00	67	2,481
Sep	120.25	-3.10	124.25	119.00	184	1,798
Dec	120.10	-2.98	124.50	119.10	216	922
Mar	120.50	-3.15	123.00	123.00	14	70
Total					13,988	37,158

■ COFFEE (ICO) (US cents/pound)

Jan 4		Prev. day
Comp. daily	104.33	n/a
15 day average	101.53	n/a

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	253.6	+8.8	256.0	244.5	5,251	17,481
May	253.9	+9.3	256.8	244.4	1,541	8,820
Aug	250.5	+8.8	252.0	244.0	486	5,540
Oct	244.3	+7.8	237.8	237.8	52	4,840
Dec	240.3	+4.1	233.5	233.5	-	594
Mar	244.3	+4.1	237.5	237.5	-	654
Total					8,466	37,868

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	8.74	+0.56	9.02	8.17	22,775	75,090
May	8.63	+0.45	8.67	8.10	2,982	24,147
Jul	8.34	+0.46	8.51	7.92	2,582	23,087
Oct	8.48	+0.41	8.62	8.14	989	17,024
Mar	8.69	+0.34	8.74	8.42	312	9,881
May	8.78	+0.34	-	-	14	2,127
Total					29,640	152,016

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	60.23	+1.20	[illegible]	58.50	6,822	34,738
May	61.21	+1.04	61.43	59.60	2,021	16,314
Jul	62.19	+0.98	62.35	60.80	878	12,258
Oct	63.38	+0.38	63.15	62.00	177	1,528
Dec	64.70	+0.25	64.70	63.30	778	12,121
Mar	65.80	+0.30	65.80	65.25	82	1,113
Total					10,571	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	102.25	+2.55	102.50	100.00	1,639	914
Mar	104.90	+2.30	105.50	102.50	2,893	15,864
May	106.00	+2.00	108.20	103.90	140	3,259
Jul	105.10	+1.95	108.50	105.10	19	2,162
Sep	107.55	+1.70	-	-	2	249
Nov	108.05	+1.45	-	-	7	509
Total					4,699	23,705

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 5	Jan 4	month ago	year ago
1483.5	1477.7	1469.6	1733.4

■ CRB Futures (Base: 1967 = 100)

Jan 4	Dec 31	month ago	year ago
193.82	191.32	-	-

■ GSCI Spot (Base: 1970 = 100)

Jan 4	Dec 31	month ago	year ago
134.76	133.02	132.33	173.29

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+125	to	605,650
Aluminium alloy	-40	to	95,900
Copper	+2,375	to	594,000
Lead	-775	to	107,575
Nickel	+216	to	65,174
Zinc	+175	to	317,225
Tin	-85	to	8,265

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	60.675	+1.000	61.125	59.450	5,314	44,584
Apr	63.005	+1.325	64.100	62.500	2,308	31,676
Jun	63.750	+1.200	63.950	62.500	946	18,054
Aug	64.075	+1.900	64.200	63.075	316	16,897
Oct	65.675	+0.750	66.000	65.100	185	5,217
Dec	66.850	+1.000	66.950	66.000	29	1,932
Total					9,098	112,282

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	32.725	+2.000	32.725	30.600	4,431	18,632
Apr	37.000	+2.000	37.850	35.900	1,364	14,951
Jun	48.950	+0.950	49.500	48.000	781	7,081
Jul	51.675	+0.900	52.250	50.900	467	3,996
Aug	53.950	+0.600	54.600	53.250	143	3,083
Oct	55.325	+1.000	55.650	54.400	121	2,612
Total					7,306	47,830

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	44.050	+1.275	44.250	42.600	821	4,624
Mar	44.050	+0.750	44.575	43.100	81	1,166
May	45.700	+1.200	46.200	45.000	42	938
Jul	47.850	+1.175	47.800	46.400	29	670
Total					981	7,702

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1150	71	100	3	13
1200	33	66	14	[illegible]
1250	10	40	41	51
■ COPPER (Grade A) LME	Feb	May	Feb	May
1400	40	87	20	43
1500	10	40	80	93
1600	1	22	171	163
■ COFFEE LIFFE	Mar	May	Mar	May
1700	148	127	28	72
1750	113	101	41	96
1800	84	79	62	124
■ COCOA LIFFE	Mar	May	Mar	May
925	22	44	40	41
950	15	33	58	55
975	9	25	77	72
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1000	68	-	-	-
1050	38	-	15	-
1100	23	71	-	67

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$10.11-0.17x	-0.305
Brent Blend (dated)	$10.35-0.41	-0.220
Brent Blend (Feb)	$10.70-0.76	-0.270
W.T.I.	$12.07-2.09x	-0.180

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$124-126	+2
Gas Oil	$100-103	-0.5
Heavy Fuel Oil	$58-60	+1
Naphtha	$106-108	+1
Jet fuel	$114-117	-0.5
Diesel	$108-109	

■ NATURAL GAS (Pence/therm)

Bacton (Feb)	10.250	-0.475

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$287.05	+0.30
Silver (per troy oz)♣	505.00c	+5.50
Platinum (per troy oz.)	$380.50	-2.25
Palladium (per troy oz.)	$332.00	-5.00
Copper	71.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.20r	
Tin (New York)	245.5	
Cattle (live weight)	89.93p	-1.70
Sheep (live weight)	61.55p	[illegible]
Pigs (live weight)†	46.86p	-1.22
Lon. day sugar (raw)	$205.80	+6.20
Lon. day sugar (wte)	$246.70	+4.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£100.00	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	49.00p	
Rubber (Feb)♥	48.50p	
Rubber (KL RSS No1)	254.80m	+3.50
Coconut Oil (Phil)§	777.5y	
Palm Oil (Malay.)§	605.00	
Copra (Phil)§	480.0y	+5.0
Soyabeans (US)	155.5y	
Cotton Outlook 'A' index	56.05	
Wooltops (64s Super)	315p	

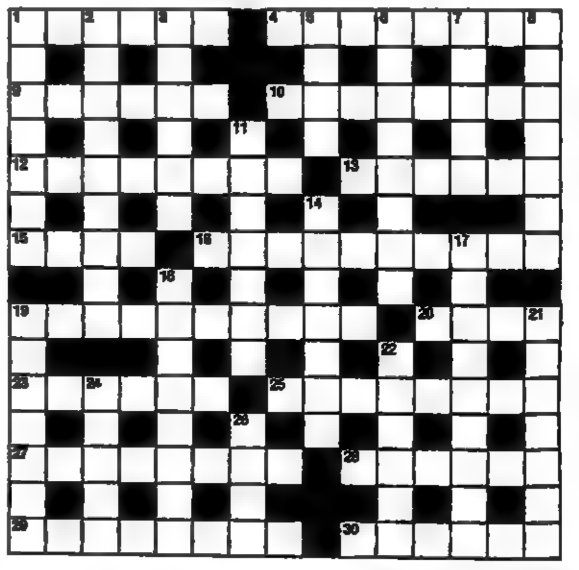
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Feb. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. † Based on 1533 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060.
Calls cost 50p a minute.

CROSSWORD

No.9,880 Set by DARCY



ACROSS

1 He wrote about language sounding more offensive (6)
4 Deceitful – in fact, owed thrashing! (3-5)
9 Allowed to accompany part of the military band (6)
10 Criticise excellent article, offering to put everything right? (8)
12, 7 down Ironic language – popular type of insolence (6-2-5)
13, 23 Station book-shop? (6,6)
15, 20 Salad – as a rule, the French put in lettuce first (4-4)
16 Has no good role to play, following the Strand? (10)
19 Set menu offered for consideration by eager European (5,5)
20 See 15
23 See 13
25 See 24 down
27 I row first, taking girl round island (8)
28 In which kind of "father" may embrace a deity? (6)
29 Corruptly Cook lent Tory (8)
30 Nearly there, with time to find a room (6)

DOWN

1 Desperate – it's tied up in foreign currency (7)
2 Campaign demanding better conditions, making fair points? (6,3)
3 "It's a wonderful sight," mumbled French engineer (6)
5, 14 Evidence of previous use of a rhyming couplet (4,3,4)
6 Awfully soft about French girl-friend, as bubbly as can be! (8)
7 See 12 across
8 Little room for specific courses, injecting new note (7)
11, 26 Rhymes article included are suitable (4,3,4)
14 See 5
17 Unaware of patent given around '51 (9)
18 Mark out bed, scattering seed about (8)
19 Type of suit, one creating stir after short time (7)
21 Guarantee conflict over tirade (7)
22 Son has to act the yes-man, writing in a hurry (6)
24, 25 across Immediate insurance required for philatelic item (5-3,5)
26 See 11

Solution 9,879

SYSTEM DOUGHNUT
A T L C V R O R
BLACKHOLE ALIVE
O I S U R S S A
TART BROADSHEET
A C A S C S Y
GRANDEE TENDER
E S A A C S
SEAMAN MAKEOUT
C S O O E N R
REFRACTION TOGA
A R P A R E M T
TRAMP BREADLINE
E I L L D G S G
RELIEVED GENTRY

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BERMUDA
(FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1285, Hamilton, Bermuda 001 441 292 2780

Newport Investment Management
20 Reid St, PO Box HM 3386 Hamilton Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd
NAV Oct 16 $758.18

Morgan Stanley Offs Advisory Mortgage Fd Inc
Class A Shares $10.14

National Investment Trust Company Ltd
The New Taipei Fund Ltd $17.8349

North Atlantic Management Co Ltd
Compass $16.88 17.38

Olympus Capital Management Ltd

Omega Overseas Partners Ltd
Omega Overseas (Ex) Dec 30 $258.6341

Opportunity Fund (z)

Orion Capital Advisors Ltd

The Osprey Group Of Funds
Contour Fund Ltd $8.437

Pacific & General Investments Inc
NAV $1.3162

Pakistan Fund

Panizon International Ltd
NAV Nov 30 $125.83

Perry Partners International Inc
NAV Nov 30 $308.16

Philippine Income Fund Inc
NAV Dec 23 $8.31

Pro Value AG

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

GUERNSEY
(REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Absolute Alpha Inv Mngmt (Guernsey) Ltd
Absolute Alpha Fund PCC Limited

Apollo Investment Management Ltd

BT Fund Managers (Ireland) Ltd (z)

Bank of Cyprus Group

Baring Int'l Fd Mgrs (Ireland) Ltd

Christows Investments Plc
Clifton, St Peter's Road, Bournemouth BH1 2LT 01202 298044

Lazard Global Bond Fund Plc

Lazard Global Liquidity Fund Plc

Lehman Brothers/GLS Partners Asset Mngmt
AIB Trade Centre, IFSC, Dublin 1

BERMUDA
(REGULATED)(**)

CAYMAN ISLANDS
(REGULATED)(**)

GUERNSEY
(FSA RECOGNISED)

IRELAND
(FSA RECOGNISED)

Coutts Fund Managers Limited
Georges Quay, Dublin 2, Ireland

Morgan Grenfell Investment Funds Ltd (z)
20 Finsbury Circus, London EC2M 1UT 0171 545 7474

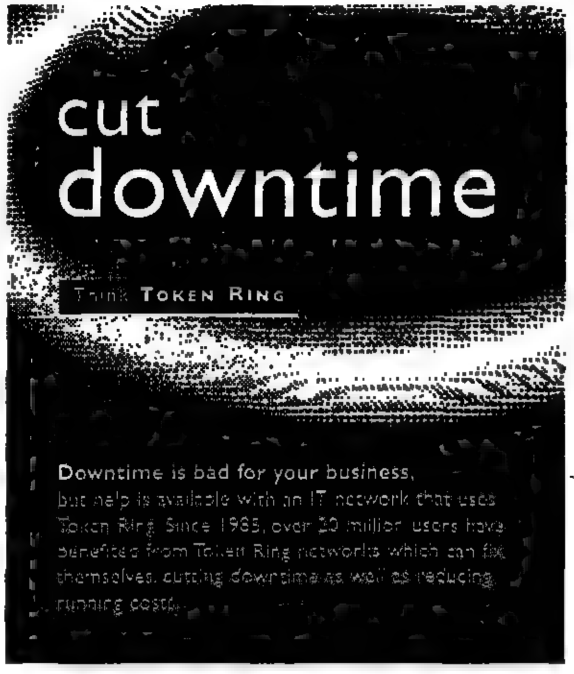
IRELAND
(REGULATED)(**)

AIB Fund Management Ltd

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)



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Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs.

Lloyds TSB Fund Managers (CI) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Newton Fund Mgrs (CI) Ltd (1200)F

Perpetual Fund Management (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

For TSB Fd Mgrs see Lloyds TSB Fd Mgrs

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Bank of Ireland Asset Mngmt (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Barclays Intl Funds

Cater Allen Investment Management (CI)

Cazenove International Asset Mngt Ltd (CIAM)

Citibank (CI) Ltd 'Citifunds'

Citibank N.A.

Coutts (Jersey) Fund Managers Ltd

Royal Bk of Scotland Fd Mngrs - Contd.

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

For TSB Fd Mngrs (CI) Ltd see Lloyds TSB Fd Mngrs

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg 352 42494335

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

American Phoenix Investment Portfolios (u)

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (u)

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Capital International

Fidelity Funds - Contd.

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd (u)

GT Global

HSBC Investment

Henderson

INVESCO International

Lombard Odier Invest - Contd.

Manulife Global Fund (u) (z)

Mercury Asset Management

Sun Life Global Management Ltd (u)

Svenska Selection Fund SICAV

Templeton Global Strategy Funds (u)

LUXEMBOURG (REGULATED)(**)

Scottish Equitable Intl Fund SICAV (u)

14 rue Aldringen, L-1118, Luxembourg 00 352 4799 2502

Barclays Liquidity Portfolio

Blakeney Management Ltd

Brunswick Russian Emerging Equities Trust

Bryan Garnier Asset Management

CB Fund International (u)

CDC Asset Management Europe

Capel-Cure Myers Intnl Fd Sicav (u)

Carlson Investment Management

Citicorp Investment Mgmt (Luxembourg) SA

Citimarkets SA

Clark Capital Management Group Inc

Cox & Kings Overseas Fund

Credit Agricole Indosuez

Credit Lyonnais House (Bermuda) Ltd

Kredietbank SA Luxembourg - Contd.

Lebanon Holdings

Lloyds Bank Luxembourg

Lombard Odier Selection

MC Securities Limited London

MFS American Funds

Sigma Fund SICAV

Sinopia Asset Management

Societe Generale Emer Europe Asset Mgt

Standard Chartered Investment Fund SA

State Street Luxembourg SA

State Street Research & Management Co

Stonebrood Scudder Environmental Value Fd

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

Templeton Russian & East European Debt Fd

Tower Fund

Tweedy, Browne Value Funds

UBS AG

'WINTERTHUR' Fund Mngmt Co (Lux) SA

WP Stewart Global Growth Fund

Global Growth $18.7499 +0.1882 -

World Invest SICAV

World Trust Fund

OFFSHORE INSURANCES

Aberdeen International Ltd

PO Box 464, Harbour Court, St Peter Port Gsy 01481 727088

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 01624 823262

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Eagle Star Int'l Life

Eagle Star Hse, Athol St, Douglas, IoM [illegible]

[illegible]

Equitable Life (International)

[illegible]

Equity Fund Managers

[illegible]

Eurolife Assurance Group

[illegible]

Finance International Ltd

[illegible]

Old Mutual International - Contd.

[illegible]

Old Mutual International (Isle of Man) Ltd

[illegible]

PanEuroLife societe anonyme

[illegible]

Premier Life

[illegible]

Royal & Sun Alliance Intl Financial Srvs

[illegible]

Alpha Fund Management Ltd

[illegible]

Dresdner RCM Global Investors (HK) Ltd

[illegible]

Egerton European Dollar Fund Ltd

[illegible]

Egerton European Equity Fund Ltd

[illegible]

Emerging Markets Management

[illegible]

Endstone Trust SA

[illegible]

The Enhanced Profit Fund Ltd

[illegible]

Global Asset Management

[illegible]

Global Asset Management - Contd.

[illegible]

The Environmental Investment Co Ltd

[illegible]

Invesco Asset Management

[illegible]

Montgomery Emerg Communications Fd Ltd

[illegible]

Montpelier Asset Management Ltd

[illegible]

Moore Global Investment

[illegible]

Morgan Stanley/BLL Global Allocation Fd Ltd

[illegible]

Morgan Stanley Emerging Markets Income

[illegible]

Schroder Investment Mgmt (Singapore) Ltd

[illegible]

Scudder, Stevens & Clark Inc

[illegible]

Sun Life International (IOM) Ltd

[illegible]

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[illegible]

AXA Investment Managers Hong Kong Ltd

[illegible]

AXA Investment Managers Paris

[illegible]

Aberdeen Asset Management Asia Limited

[illegible]

Ability Fund Limited

[illegible]

Access Investment Management

[illegible]

Acciones y Valores de Mexico SA de CV

[illegible]

Acumen Capital Management Limited

[illegible]

Advanced Asset Management Ltd

[illegible]

Virtuous Circle Limited

Four Seasons Fd Ltd [illegible]

Worldwide Limited

NAV Nov 30 [illegible]

Xerxes Fund Management Ltd

Xerxes Portfolio [illegible]

Zuhaf Asset Management AG

[illegible]

Zweig-DiMenna International Limited

NAV Dec 31 [illegible]

● MANAGED FUNDS NOTES

[illegible]

FSA - Financial Services Authority.

[illegible]

Selling price - Bid or redemption price.

Buying price - Offer or issue price.

[illegible]

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	q/f	559xd	-10½	646	385	4,768	4.8	14.5
Bulmer (HP)		338		412½	281½	8	5.6	14.9
Burn Stewart		10	-½	42½	7		-	-
Diageo	q/f	693½	+1½	755	449½	5,665	3.0	20.1
Glenmorangie A	†	690xd	-2½	925	675	-	2.7	18.5
B	†	625xd	—	880	610	-	1.1	44.8
Highland		255xd	—	325	225	427	4.4	12.2
5¼pc Cv Sb Bd		97½	+¼	100½	88	-	6.1	-
Kirin Y		779¾	+5¾	779¾	443	-	0.8	70.3
Matthew Clark	♣	242	—	244	115	0.789	6.7	8.2
Merrydown		28½	—	59½	18½	-	-	ɸ
Seagram C$		£23⅞	+⅛	[illegible]	£14⅝	-	1.1	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

ENGINEERING - Continued

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the UK Official list

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¢ Price at time of suspension
- . Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
f Dividend/yield adjusted for complex issue
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending latest annual earnings.
o Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Dividend/yield includes special payable after 6/4/99
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue.
1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on

prospectus or other official estimates for 1997-98.
‖ Dividend is paid in whole or part as a FID (Foreign Income Dividend)
† Dividend/yield adjusted for consolidation of share split
Z Forecast annualised yield, p/e based on

Abbreviations:
, ex dividend,
, ex scrip issue,
, ex rights,
, ex all,
, ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0805

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Takeover and merger talk invigorates equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A fresh burst of takeover and merger speculation in many of the London equity market's most important areas, notably telecoms and pharmaceuticals, helped UK stocks to make rapid progress yesterday.

Confirmation in the early afternoon that Vodafone, the cellular phones group, is holding merger discussions with AirTouch Communications of the US provided an added impetus.

Telecoms was the London market's best performing sector last year, on a mixture of takeover possibilities plus explosive growth in mobile phone use.

Telecom stocks occupied six out of the top 10 places in the FTSE 100 performance table yesterday, led by Telewest Communications and Colt Telecom. Vodafone was the third best.

BT and Securicor, which control Cellnet, the UK's second biggest cellular phone company, were also prominent, as was Orange.

Pharmaceuticals were a close second in the 1998 performance table, with gains fuelled by the proposed Zeneca merger with Astra of Sweden and the unsuccessful merger talks between Glaxo Wellcome and SmithKline Beecham. Drug stocks shot up yesterday in the wake of reports that Glaxo Wellcome could well intervene in the proposed Zeneca/Astra merger by launching a counter bid for the former.

The flurry of bid stories, which were not confined to telecoms and drug stocks, enabled London to shake off Monday's disappointing start to the new year.

Some dealers were also beginning to get more optimistic about the chances of the Bank of England's monetary policy committee voting for another reduction in UK interest rates when its two-day meeting finishes tomorrow. An announcement on rates will be made at noon.

Interest rates have been cut after each of the previous three committee meetings, taking rates down 125 basis points in the process.

At the close, the FTSE 100 was 78.8 higher at 5,958.2, having been 100 points ahead at its best, shortly after the announcement of the Vodafone/AirTouch merger talks and as Wall Street made rapid early progress. But just as it looked set to challenge the 6,000 mark, the Footsie ran into pockets of profit-taking.

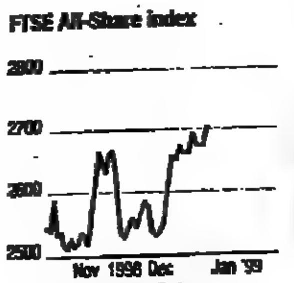
The Dow Jones Industrial Average built confidently on its opening gains and was more than 90 points higher an hour after London trading ended.

"The Vodafone news was just what the market needed – on Monday it looked as if the pre-Christmas run was over," said one marketmaker.

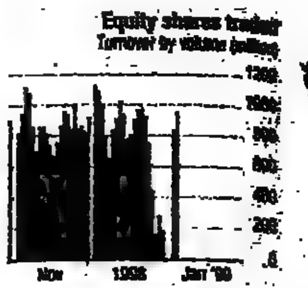
The other FTSE indices also perked up after a rather sluggish start. The FTSE 250 closed 19.2 higher at 4,870.2 and was lifted by strong performances by property stocks, which were being pushed by CSFB, the stockbroker. The second-liners were also being driven ahead by takeover rumblings, especially in Mirror Group and Racal Electronics.

The FTSE SmallCap, meanwhile, extended its good showing, moving up another 6.9 to 2,089.7.

Turnover was a healthy 963m shares with FTSE 100 stocks accounting for over 54 per cent of the total.



Sources: FTSE International/Topic



Indices and ratios

FTSE 100	5958.2	+78.8	FT 30	3555.4	+46.2
FTSE 250	4870.2	+19.2	FTSE Non-Fins p/e	23.58	22.44
FTSE 350	2803.9	+33.1	FTSE 100 Fut Dec	5977.0	+47.0
FTSE All-Share	2704.09	+30.91	10 yr Gilt yield	4.45	4.49
FTSE All-Share yield	2.90	2.92	Long gilt/equity yld ratio	1.53	1.53

Best performing sectors

1	Telecommunications	+5.3
2	Pharmaceuticals	+4.1
3	Electronic & Elect Equip	+3.2
4	Property	+3.0
5	Consumer Goods	+2.5

Worst performing sectors

1	Breweries: Pubs & Rest	-2.1
2	Retailers: Food	-1.5
3	Water	-1.2
4	Oil Integrated	-1.0
5	Chemicals	-1.0

Vodafone races for AirTouch

COMPANIES REPORT

By Joel Kibazo, Peter John and Martin Brice

Dealers and investors were busy looking for signs of further bid activity in telecoms after Vodafone Group confirmed it had joined the race for US group AirTouch Communications.

The move had been predicted in the market, having been raised by AirTouch more than two years ago. It was also *highlighted* last August by Paul Ryb and Steve Jobber at Paribas. However, the UK group cautioned there could be no assurance about a deal being reached. AirTouch is already in merger talks with US company Bell Atlantic.

Although Vodafone and AirTouch have long been seen as a "natural fit", there was disappointment in some quarters that the UK group had not made its move before. "The question is, why didn't Vodafone launch this bid earlier instead of waiting to do it now. This is now a bidding war and I see it paying around $50bn to win control" said one sector specialist.

Followers of the stock were also eagerly awaiting details of the financing of a merger. Analysts said they expected an offer to be made up of a rights issue with a small cash component.

Chris Godsmark at Henderson Crosthwaite said: "The benefits of [Vodafone and AirTouch] getting together are extremely compelling, but we need to see the financing before we can unequivocally back the deal. We want to see the cost savings that can be reaped from the merger."

But the prospect of making an acquisition did little to dampen enthusiasm for Vodafone, which reported bumper Christmas period subscriber data on Monday. The shares hit an all-time high, closing 61½ up at £11.10½ after trade of 11m.

The favourable data and consolidation hopes once again saw buyers rush to buy shares in 1998's best performing sector. Telewest Communications was the day's best performer in the FTSE 100 after it advanced 19½ or 10.5 per cent to 205p. It was followed by Colt Telecom, which rose 84 to £10.37. Orange was also in demand, the shares closing 33¼ up at 828p, a record for the stock.

British Telecom, by far the biggest stock in the sector, briefly surged above the £10 barrier for the first time before profit-takers moved in. The shares still finished 49½ ahead at 988½p.

Glaxo Wellcome, described by one trader as the most expensive drugs company in the world, rose more than a pound yesterday as the sector continued to attract a welter of speculation.

Zeneca speculation

The shares jumped 104 or 5 per cent to £22.33, a rise initially linked to rumours that the drug company was somehow planning a spoiler of the proposed merger between Astra and Zeneca.

There was also the return of suggestions it might make another approach to SmithKline Beecham. The company was set to link with SmithKline last year, but the merger foundered because of a boardroom ego clash.

SmithKline saw heavy turnover of 13m shares but neither story sat easily with Glaxo's share price performance.

Some analysts suggested its gain was linked to safe-haven buying. Pharmaceuticals groups offer visible and steady earnings growth at a time when profits are under pressure elsewhere.

Elsewhere, SmithKline lifted 33½ to 887p and Zeneca 80 to £27.74.

A rise in National Grid combined with a stock exchange announcement provided a reminder of an astute deal and the prospect of some profit-taking.

The shares gained 9¾ to 498¾p and at that level provide a £600m-plus paper gain on a complex investment two and a half years ago.

In 1996, Suliman Olayan, the long-term investor who buys minority stakes in undervalued businesses where he admires the management, effectively bought 110m shares from Hanson for £405m.

The Saudi financier paid 192½p for the 12.5 per cent stake, which he then hedged in a derivatives deal carried out by the broking arm of HSBC Securities.

Yesterday, HSBC Investment Bank notified National Grid of its continuing interests in 11.6 per cent of the electricity group.

A profits warning from software giant SAP took the shine off many highly rated information technology stocks. London Bridge Software fell almost 4 per cent, or 47½ to £12.40, while FI Group was off 8½ at 320p.

However, volumes in the falling stocks were low, while some shrugged off the effect of SAP's warning to chalk up an advance. Misys gained 12¾ to 476½p ahead of an analysts' trip to New York in February.

The warning from SAP was highlighted by the IT team at Dresdner Kleinwort Benson, which told clients: "Investors are likely to face a period of increased volatility ahead of year 2000 issues. As the Y2K problem falls away, IT budget spend will evolve from back-office to front-office functions."

Dresdner highlighted the stocks most likely to benefit as Misys, Sage and Logica. Logica closed off 2½ at 528½p, while Sage rose 32½ to £16.02½p.

ICI lost another 17½ to close at 474½p in reaction to the company's failure to sell its Tioxide paints division.

Disposal would have reduced the company's £4bn debt burden 15 per cent and given some hope of a marginally brighter future.

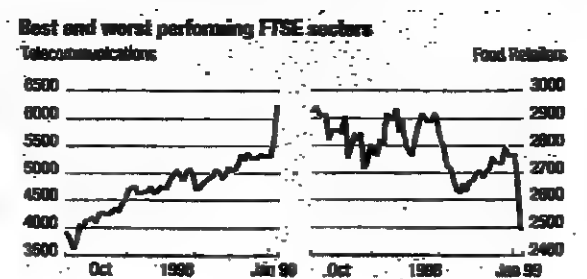
On Monday, ICI had attempted to put a brave face on the sale collapse and pointed to a big restructuring within the division. But analysts said yesterday that the company desperately needed some big disposal news if it was to tackle the debt problem.

One sector specialist said the shares were dead money at least until the figures in early February.

Burmah Castrol moved forward 10 to 885p with support from Crédit Lyonnais Securities. The company moved into chemicals last year and the broker's chemicals specialist initiated coverage with a weighty "buy" recommendation.

Crédit Lyonnais highlights the benefits of the impending £250m share buy-back and believes the shares are worth at least £10.50 on a 12-month view.

CSFB, a long term bear of the property sector, turned buyer yesterday. CSFB particularly favours MEPC, which gained 16¾ to 422½p, and Hammerson, 18½ ahead at 372p.



Source: Datastream/ICV

FT 30 INDEX

	Jan 5	Jan 4	Dec 30	Dec 29	Dec 24	Yr ago	*High	*Low
FT 30	3555.4	3509.2	3551.3	3574.9	3533.6	3391.2	4004.8	2790.8
Ord. div. yield	2.89	2.94	2.93	2.90	2.93	3.31	4.22	2.72
P/E ratio net	23.17	22.84	22.89	23.12	22.87	21.93	25.41	15.80
P/E ratio nil	23.08	22.74	22.80	23.03	22.77	21.83	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3509.2	3522.8	3524.0	3518.7	3524.4	3533.1	3542.2	3549.8	3558.3	3506.8

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STOCK MARKET TRADING DATA

	Jan 5	Jan 4	Dec 30	Dec 29	Dec 24	Yr ago
SEAQ bargains	74,493	75,751	26,159	35,290	16,193	62,627
Equity turnover (£m)†	-	na	1195.2	1957.9	1017.7	776.3
Equity bargains†	-	na	20,335	31,923	17,786	28,618
Shares traded (m)†	-	na	298.7	398.9	266.0	n/a
Total market bargains‡	-	na	3,402	35,031	11,341	-
Total turnover (£m)‡	-	na	620.6	1769.8	1177.8	-
Total shs traded (m)‡	*962.2	na	148.5	438.7	319.6	-
Tradepoint turnover (£m)	12.4	3.9	4.0	1.4	0.4	9.4
Tradepoint shrs traded(m)	33.4	8.2	0.7	1.0	0.2	38.2

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	902	Total Highs	64	Total contracts	39,118
Total Falls	549	Total Lows	41	Calls	18,412
Same	1,451			Puts	20,706

Jan 5 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5900.0	5977.0	+47.0	6012.0	5882.0	22460	180809
Jun	5971.0	6018.0	+48.0	5971.5	5951.0	745	13538

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4916.0	+19.0	-	-	0	6938

■ FTSE 100 INDEX OPTION (LIFFE) (*5958.0) £10 per full index point — Jan 5

	5700		5750		5800		5850		5900		5950		6000		6050	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jan	234½	55	178	[illegible]	141	85½	115	107½	87	131	69½	161½	48½	194½	33½	233½
Feb	306½	129	327	275½	285½	207	304	226½	232½	247	301	330½	177	298½	154	325
Mar	429	258½	398	275½	386½	294½	335	313½	364	332½	273	352	330	373½	227½	405
Apr	511	383½	476½	298½	442½	316½	400	335	378½	355	344½	376	313	399½	288½	429½
Jun†	686	429			577	487			817½	505½			488	546½		

Calls 1,672 Puts 4,686

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Jan 5

	5725		5775		5825		5875		5925		5975		6025		6075	
Jan	227½	46½	189½	59	[illegible]	75	125½	94	98	116½	75	143	55	173½	38½	207½
Feb	371	161	337½	178½	308	194	274	213	345	233	217½	255	189½	277	185½	302½
Mar	487	237½	488½	258½	374½	274	345	293½	317	315	294	341½	284	361	348½	395
Jun			529½	433			583	483			489	497			437	541
Sept			708	526			708	575			655½	618			685½	654

Calls 8,232 Puts 9,476 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1998/9 High	Low	Stock	Close price p	+/-	Net div	Div cov.	Grs yld	P/E net
-	F.P.	15.0	100	95	AIM VCT	100		-	-	-	-
-	F.P.	-	85½	71½	[illegible]	81½	-1	-	-	-	-
§	F.P.	35.2	118½	116½	BFS [illegible] Inc	117½		W12.66	-	10.8	-
§	F.P.	3.38	86½	56	Do Cap	84½	+5	-	-	-	-
-	F.P.	5.80	117½	85	†Channel	117½		-	-	-	-
§	F.P.	8.10	117	107	Collective Assets Tst	117		-	-	-	38.3
*220	F.P.	-	285	238	Financial Object	285	+15	-	-	-	29.9
-	F.P.	463.6	[illegible]	229½	First Active	[illegible]	+17	-	-	-	29.4
-	F.P.	-	146½	106½	Five Arrows [illegible]	118½		-	-	-	-
-	F.P.	37.3	125½	10	[illegible]	11		-	-	-	-
§	F.P.	4.92	5½	4½	†Natural Bldg Alls	5		-	-	-	-
§	F.P.	2.10	105	105	†Do Cnv Prf	105		-	-	-	-
-	F.P.	8.02	100	90½	Piccadilly Growth	97		1.5	0.8	2.1	78.1
100	F.P.	-	103	92	REXAM B	98		-	-	-	-
§	F.P.	15.0	100	100	Singer&Fri AIM VCT	100		-	-	-	-
-	F.P.	2.97	85	75	Willington	77½		F6.0	2.7	7.7	3.2
-	F.P.	-	15	5	Xenova Warrants	12½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 4	% chg on day	Jan 1	Year ago	Gross div yield %	Total return	52 week High	Low
Gold Mines Index (39)	946.67	1.5	934.49	1017.38	1.89	980.91	1361.67	701.56
■ Regional Indices								
Africa (6)	1008.91	1.7	991.70	1071.18	3.62	1018.27	1488.04	766.63
Australasia (6)	1198.75	2.6	1168.71	1145.66	2.48	1205.30	1800.53	819.99
Americas (11)	898.59	0.6	881.75	893.39	0.65	900.32	1017.41	647.89

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 5	Day's chge%	Euro Index	Jan 4	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5958.2	+1.3	6525.6	5879.4	5264.4	2.74	2.34	1.88	24.07	0.89	[illegible]
FTSE 250	4870.2	+0.4	5334.0	4851.0	4958.9	3.43	2.95	2.15	16.98	0.88	2119.06
FTSE 250 ex Inv Tr	4870.3	+0.3	5334.1	4853.4	4995.5	3.59	3.09	2.23	15.65	0.87	[illegible]
FTSE 350	2803.9	+1.2	3071.0	2770.8	2526.9	2.85	2.40	1.94	22.65	0.43	2537.92
FTSE 350 ex Inv Tr	2810.7	+1.2	3078.4	2777.3	2531.2	2.86	2.46	1.96	22.42	0.43	1304.98
FTSE 350 Higher Yield	2802.2	+0.4	3050.0	2590.6	2531.3	3.97	3.38	1.84	17.11	0.32	[illegible]
FTSE 350 Lower Yield	3017.2	+1.9	3304.5	2959.6	2537.4	1.73	1.50	2.17	33.30	0.56	2209.71
FTSE SmallCap	2089.73	+0.3	2288.73	2082.78	2335.31	3.69	3.20	2.05	15.88	1.58	1846.93
FTSE SmallCap ex Inv Tr	2044.40	+0.2	2239.17	2039.63	2331.07	4.16	3.43	2.17	13.86	1.56	1927.48
FTSE All-Share	2704.09	+1.2	2961.80	2673.18	2464.74	2.90	2.47	1.95	22.19	0.49	2484.24
FTSE All-Share ex Inv Tr	2714.69	+1.2	2973.21	2683.45	2471.03	2.91	2.49	1.96	21.88	0.48	1283.24
FTSE Fledgling	1157.13	+0.4	1267.32	1152.50	1271.48	4.39	3.68	1.33	21.40	0.58	1302.57
FTSE Fledgling ex Inv Tr	1159.88	+0.2	1270.33	1157.38	1293.80	[illegible]	4.19	1.37	18.03	[illegible]	1313.86
FTSE All-Small	1187.57	+0.3	1300.66	1183.45	1322.80	4.00	3.28	1.99	18.59	0.82	1339.82
FTSE All-Small ex Inv Tr	1184.54	+0.2	1297.35	1181.76	1345.31	4.34	3.86	1.98	14.53	0.82	1346.54
FTSE AIM	803.5	+0.3	880.0	801.5	989.0	1.31	1.04	0.96	80.08	0.16	747.35

■ *FTSE* Actuaries Industry Sectors

	Jan 5	Day's chge%	Euro Index	Jan 4	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(19)	4145.76	-0.9	4540.57	4183.85	4382.46	3.50	3.05	1.17	30.50	0.00	1934.76
12 Extractive Industries(6)	2630.56	-0.1	2881.08	2632.84	3132.98	5.19	4.78	1.99	12.07	0.00	848.48
15 Oil, Integrated(3)	4880.23	-1.0	5344.97	4930.84	4770.19	3.34	2.88	1.98	35.23	0.00	2341.72
16 Oil Exploration & Prod(10)	1421.74	+0.7	1557.14	1412.40	3558.42	3.92	3.42	0.97	32.92	0.00	890.35
20 GEN INDUSTRIALS(182)	1773.20	+0.6	1942.06	1763.05	2031.22	4.12	3.66	2.24	13.57	0.35	1081.53
21 Construction(37)	1209.55	-0.3	1324.74	1213.89	1296.54	4.22	3.43	3.01	9.83	0.46	1097.73
22 Building Matls & Merchants(30)	1566.84	-0.2	1715.80	1571.38	1783.72	4.82	4.17	2.11	12.27	0.00	873.88
23 Chemicals(20)	1802.22	-1.0	1973.85	1820.80	2825.01	5.65	4.78	1.84	13.43	0.00	935.85
24 Diversified Industrials(4)	1084.70	-0.1	1188.00	1085.08	1305.84	5.97	5.17	1.65	12.86	0.00	888.48
25 Electronic & Elect Equip(25)	2772.56	+3.2	3036.58	2687.60	2231.93	2.78	2.25	1.95	23.29	0.00	1553.77
26 Engineering(54)	2316.63	+0.4	2537.24	2308.32	2817.44	4.16	3.73	2.23	13.46	0.73	1525.62
27 Engineering, Vehicles(10)	3409.87	+1.5	3734.58	3360.84	3552.03	2.82	2.41	3.23	14.75	0.00	1899.56
28 Paper, Pckg & Printing(18)	1459.44	-1.0	1598.43	1473.94	2149.65	7.16	6.65	2.35	7.42	2.42	675.08
30 CONSUMER GOODS(82)	6340.13	+2.5	6943.89	6188.26	5080.11	2.14	1.94	1.92	30.32	0.13	2535.92
32 Alcoholic Beverages(6)	3733.25	-0.2	[illegible]	3740.22	3808.02	3.31	3.88	2.13	17.73	0.00	1496.80
33 Food Producers(28)	3761.58	+0.3	4119.73	3749.84	3414.44	2.39	2.07	2.31	22.88	0.00	1843.83
34 Household Goods & Textiles(14)	2091.75	-0.7	2290.95	2107.26	3166.76	4.85	4.38	1.98	13.01	0.80	898.54
36 Health Care(14)	2476.47	+0.2	2712.30	2471.81	2286.46	2.09	1.92	2.11	28.46	0.98	1600.01
37 Pharmaceuticals(20)	11723.45	+4.1	12839.86	11256.41	8538.74	1.59	1.49	1.61	51.78	0.00	4224.63
38 Tobacco(3)	6504.73	-0.9	7124.17	6563.56	4617.40	5.28	4.41	2.04	11.61	0.00	1853.45
40 SERVICES(238)	3554.31	+1.7	3892.79	3495.09	2930.94	2.42	2.00	2.10	24.60	1.73	1978.35
41 Distributors(28)	1841.13	-0.5	2016.45	1850.19	2533.75	5.17	4.27	1.39	12.15	1.12	739.58
42 Leisure & Hotels(31)	3177.78	+0.7	3480.40	3157.15	3546.20	2.89	2.56	2.85	15.16	14.89	1824.10
43 Media(47)	4315.56	+1.4	4725.50	4254.83	4231.02	2.40	2.04	2.15	24.24	0.06	1649.54
44 Retailers, Food(13)	2610.38	-1.5	2858.94	2650.57	2787.35	3.51	2.81	2.14	18.65	0.00	1800.29
45 Retailers, General(42)	2055.03	+0.2	2250.73	2050.86	2339.15	3.64	2.92	2.09	16.41	3.24	1273.38
46 Telecommunications(7)	5897.52	+5.3	6459.14	5599.48	2803.85	1.53	1.25	1.59	51.60	0.00	2307.06
47 Breweries, Pubs & Rest.(24)	3413.50	-2.1	3738.57	3485.34	3829.38	3.68	2.98	2.22	15.32	0.00	1771.48
48 Support Services(65)	4604.16	-0.2	5042.61	4614.09	3812.41	1.38	1.16	2.77	33.11	0.19	3051.70
49 Transport(23)	3467.65	-0.2	3797.87	3475.16	3019.94	3.82	2.55	2.18	19.71	0.78	1568.00
60 UTILITIES(20)	4107.81	-0.4	4498.99	4125.42	3591.48	3.90	3.31	1.88	18.12	0.00	1998.85
62 Electricity(7)	4628.04	-0.6	[illegible]	4656.50	4016.16	4.38	3.55	1.71	16.73	0.00	2764.89
64 Gas Distribution(2)	3264.11	+0.7	3574.95	3240.90	2589.39	2.87	1.69	‡	‡	0.00	1902.66
68 Water(11)	3401.60	-1.2	3725.33	3444.20	3292.17	4.92	4.54	2.38	10.67	0.00	2144.71
69 NON-FINANCIALS(669)	2772.20	+1.2	3036.19	2738.51	2462.69	2.81	2.42	1.89	23.58	0.63	2288.23
70 FINANCIALS(120)	5102.81	+1.0	[illegible]	5054.30	5001.86	3.29	2.88	2.17	17.88	0.12	2389.63
71 Banks, Retail(12)	7596.08	+0.9	8319.43	7526.95	7339.98	3.38	2.70	2.14	17.31	0.09	8893.00
73 Insurance(21)	2348.68	+1.7	2572.25	2308.52	2254.21	3.03	2.85	1.91	21.57	0.72	1959.33
74 Life Assurance(6)	7271.65	+0.1	7964.13	7263.15	8402.84	2.85	2.29	2.70	17.49	0.88	3278.02
77 Other Financial(31)	3552.27	-0.3	3890.54	3562.61	3860.45	3.11	2.57	2.53	15.87	0.87	2194.85
79 Property(48)	1728.94	+3.0	1892.60	1677.86	2184.23	3.82	3.08	1.70	20.37	0.08	1151.63
80 INVESTMENT TRUSTS(117)	3619.49	+0.9	3964.19	3588.56	3463.06	2.31	1.90	1.15	47.18	1.09	1331.78
89 FTSE All-Share(837)	2704.09	+1.2	2961.80	2673.18	2464.74	2.90	2.47	1.95	22.19	0.49	2484.24
109 FTSE All-Share ex Inv Tr(720)	2714.69	+1.2	2973.21	2683.45	2471.03	2.91	2.49	1.96	21.88	0.48	1283.24
Information Technology	1476.59	—	1617.31	1476.84	1621.21	0.64	0.51	4.21	46.56	0.00	1484.46

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5882.3	5915.6	5909.1	5887.5	5899.9	5903.7	5942.2	5960.4	5980.5	5875.8
FTSE 250	4843.8	4849.0	4849.4	4849.3	4850.3	4852.0	4854.8	4863.6	4870.2	4842.4
FTSE 350	2771.3	2785.1	2782.5	2773.8	2776.5	2780.6	2798.2	2804.3	2812.2	2769.3
FTSE SmallCap	2083.27	2086.75	2088.51	2087.93	2087.56	2089.16	2088.85	2089.36	2089.73	2081.94
FTSE All-Share	2673.68	2686.55	2684.20	2678.31	2680.59	2682.55	2696.34	2704.36	2711.68	2672.15

Time of FTSE 100 Day's high: 15:47:45 Day's low: 12:18:45. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 15:48:00 Day's low: 12:12:00. FTSE All-Share 1998 High: 2965.28 (20/07/98) Low: 2168.07 (05/10/98)

Further information is available on http://www.ftse.com.
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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday

	Vol 000's	Closing price	Day's change
3i	1,100	500	+8½
AMVESCAP	1,200	462½	-3½
ASDA Group	8,100	198	-5½
Abbey National	3,500	1208	+14
Alliance & Leicester	1,700	880½	-2
Allied Domecq	4,800	556	-16½
Allied Zurich	5,100	882½	+19
Anglian Water	847	823	-9½
Assoc. Brit. Foods	1,400	546	-4
BAA	1,800	685	-3½
BOC	580	849½	+7½
BG	13,300	372	-2
BP Amoco	67,000	916	-8½
BSkyB	3,300	445½	+4½
BT	16,300	989½	+49½
BTR	10,600	124½	+3½
Bank of Scotland	6,700	692½	-12
Barclays	5,700	1342	+94
Bass	1,300	829	-31
Billiton	2,500	117½	+1½
Blue Circle	900	302½	-1½
Boots	2,100	990	-27
Britannic Assurance†	19	1270	+20
Brit. Aerospace	4,800	519	+14
British Airways	2,300	407½	+4
Brit. Amer. Tobacco	6,300	508	-4
British Energy	1,700	649½	-7½
British Land†	2,900	475	+10½
CGU	4,100	929	+14½
CMG	246	1577	-23
COLT Telecom	1,800	1037	+84
Cable & Wireless	6,400	778	+32½
Cadbury Schweppes	2,600	994	-23
Carlton Comms	3,500	518½	-8
Centrica	8,400	114½	+16
Compass	8,700	699½	+4
Daily Mail & Gen†	397	2730	-90
Diageo	5,700	665½	+1½
Dixons	2,700	836	-15½
EMI	1,800	409½	+6½
Foreign & Col. I T	1,200	191½	+1½
General Electric	8,500	555½	+32
Gallaher	1,700	400	-8½
Glaxo Wellcome	4,500	2033	+104
Granada	2,400	1042½	+6½
GUS	2,700	581½	-25
GKN	2,300	848	+8
[illegible]	1,200	746	+5
HSBC (75p shs)	2,400	1592	+9
HSBC (HK$10)	1,400	1498	+8
Halifax	2,800	819½	-1½
Hanson	3,100	464½	-16½
Hays	2,100	480½	+3½
ICI	3,700	474½	-17½
Imperial Tobacco	1,200	607½	-38
Kingfisher	3,800	664	+21
Ladbroke	4,500	232	+1½
Land Securities	2,400	800	+20½
Legal & General	2,100	759	
Lloyds TSB	12,800	876	+4½
LucasVarity	6,400	215½	+7½
Marks & Spencer	5,100	406½	-8
NatWest Bank	5,800	1172	+13
National Grid	6,000	498½	+9½
National Power	3,800	503½	-11½
Northern Rock	1,300	583	+2
Norwich Union	3,900	424	-5
Orange	6,300	828	+33¼
Pearson	1,400	1195	+13
P & O	1,500	876	+1½
PowerGen	1,700	781	-11½
Prudential	2,800	913½	+8
Railtrack	2,200	1562	-38
Reckitt & Colman	1,200	787	-14
[illegible]	3,300	481½	-4½
Rentokil Initl	5,100	444	-1
Reuters	5,300	672	+32½
Rio Tinto	3,400	706	-1½
Rolls Royce	3,200	244	-5
Royal & Sun Alliance	5,700	517	+13½
Royal Bank Scotland	2,000	967½	+25½
Safeway	3,800	285½	-10½
Sainsbury	2,100	449½	-1½
Schroders	590	1047	-8
Schroders N/V	48	881	-17
Scottish & Newcastle	2,300	699	-15
Scot. & Sthn Energy	3,000	667	-13
Scottish Power	6,100	650	-5
Securicor	1,900	564½	+24½
Severn Trent	1,000	950	-24
Shell Transport	11,700	364½	-4½
Siebe	12,300	230½	-7½
SmithKline Beecham	13,700	887	+33½
Smiths Inds	640	856	-10
Stagecoach	2,100	236½	-5
Standard Chartered	3,500	800	-8½
Sun Life & Provincial	558	501½	
Telewest Comms.	18,000	205	+19½
Tesco	21,100	189½	-3½
Thames Water	1,600	1160	-38
Tomkins	4,800	298½	-11½
Unilever	8,780	684	+12
Utd News & Media	2,900	617½	-7½
United Utilities	1,400	795	+2
Vodafone	11,000	1110½	+61½
WPP	12,400	375½	+19½
Whitbread	1,700	924½	-30
Williams	2,100	317½	-18½
Woolwich	3,300	342½	-6½
Zeneca	2,800	2774	[illegible]

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 Index reserve. All trades are rounded. Source: Extel, part of FT Information.

AUCTION NOTICE

UK GOVERNMENT EURO TREASURY BILLS

For auction on 12 January 1999

1. The Bank of England announces the issue by Her Majesty's Treasury of euro 1,000 million nominal of UK Government Euro Treasury Bills, for auction on a bid-yield basis on Tuesday, 12 January 1999. An additional euro 50 million nominal of Euro Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The Bills to be issued by auction will be dated 14 January 1999 and will be in the following maturities:

euro 200 million of Euro Bills for maturity on 11 February 1999,
euro 500 million of Euro Bills for maturity on 15 April 1999 and
euro 300 million of Euro Bills for maturity on 15 July 1999.

3. The auctions will be open to anyone who wishes to apply. All applications must be made on the printed application forms available on request from the Bank of England or, in the case of the market makers listed in the Bill Information Memorandum (as supplemented), by telephone. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 January 1999. Payment for Bills allotted will be due on Thursday, 14 January 1999.

4. Each application at each yield for each maturity must be made on a separate application form for a minimum of euro 500,000 nominal. Applications above this minimum must be in multiples of euro 100,000 nominal.

5. Applications must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount applied for.

6. Notification will be despatched on the day of the auction to applicants whose applications have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euroclear or Cedelbank, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 14 January 1999 provided cleared funds have been credited to the Bank of England's Euro Treasury Bills Account No. 59005516 with Lloyds Bank PLC, Bank Relations, St George's House, PO Box 787, 6–8 Eastcheap, London EC3M 1LL. Definitive Euro Bills will be available in amounts of euro 10,000, euro 100,000, euro 1,000,000 and euro 10,000,000 nominal.

7. Her Majesty's Treasury reserves the right to reject any or part of any application.

8. The arrangements for the auction are set out in more detail in the Information Memorandum on the UK Government Euro Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 7 July 1998, and in supplements to the Information Memorandum. All applications will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

9. The euro 50 million of Euro Bills to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be for maturity on 15 July 1999. These Bills may be made available through sale and repurchase transactions to market makers in order to facilitate settlement.

10. Copies of the Euro Bill Information Memorandum (and supplements to it) may be obtained from the Manager, External Debt, Foreign Exchange Division at the Bank of England (telephone number 0171 601 5982). UK Government Euro Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
5 January 1999

هكذا من الاصل

هكذا امن الاهل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 5) 1 € = 13.76030 Sch

BELGIUM/LUX (Jan 5) 1 € = 40.33990 Frs.

FINLAND (Jan 5) 1 € = 5.94573 Mka.

FRANCE (Jan 5) 1 € = 6.55957 Frs.

GERMANY (Jan 5) 1 € = 1.95583 Dm.

IRELAND (Jan 5) 1 € = 0.78756 Punt

ITALY (Jan 5) 1 € = 1936.27000 Lira

NETHERLANDS (Jan 5) 1 € = 2.20371 Fl.

PORTUGAL (Jan 5) 1 € = 200.48200 Esc.

SPAIN (Jan 5) 1 € = 166.38600 Pts.

EUROPE (NON-EMU)

CZECH REP (Jan 5 / Koruna)

DENMARK (Jan 5 / Kr)

GREECE (Jan 5 / Drachma)

NORWAY (Jan 5 / Kroner)

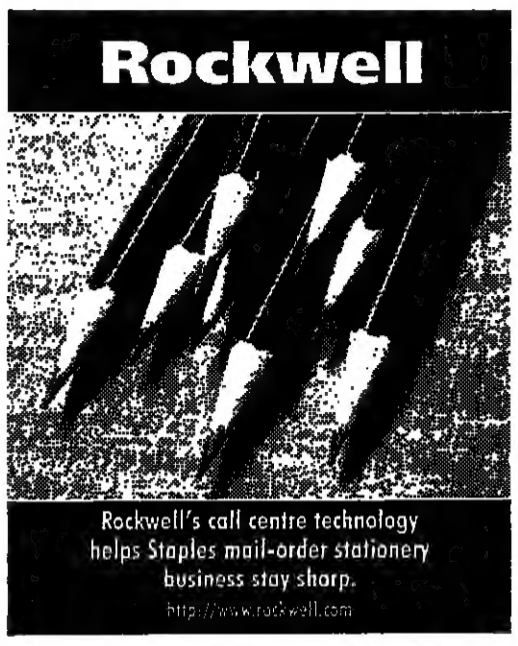
POLAND (Jan 5 / Zloty)

		+/-	High	Low	Yld	P/E
BkHny	44.70	-.30	75	28.10	3.1	5.0
BkPkao	47.20	+2.20	*64	31	—	—
Elektrm	42	+.20	54.50	27	0.5	33.8
Exbud	34	+2.50	48	23	—	18.9
Mostl	17.70	—	34.10	14.80	—	12.1
TkPol	18.50	+.60	*18.50	15.50	—	—
WBK	22.70	+.40	*38.50	18	1.6	13.2
Wizpak	12.90	—	20.50	11.88	—	4.9
Zywiec	440.50	+2.50	545	271	0.6	35.0

SWEDEN (Jan 5 / Kronor)

SWITZERLAND (Jan 5 / Frs.)

TURKEY (Jan 5 / TL Lira)



PACIFIC

JAPAN (Jan 5 / Yen)

AUSTRALIA (Jan 5 / Aust$)

HONG KONG (Jan 5 / H.K.$)

INDONESIA (Jan 5 / Rupiah)

MALAYSIA (Jan 5 / MYR)

NEW ZEALAND (Jan 5 / NZ $)

SINGAPORE (Jan 5 / S$)

SOUTH KOREA (Jan 5 / Won)

TAIWAN (Jan 5 / TW $)

		+/-	High	Low	Yld	P/E
CL Ins	100	-4	124	80	2.1	—
CH Bnk	30.80	-2.90	104	30.80	2.8	—
ChiDev	55	-3	86.62	55	—	—
ChSil	19	-.40	25.20	18.70	5.8	—
FstBk	41.80	-3.10	91.63	41.80	2.4	—
NYPste	40.80xr	-.90	56.81	28.52	—	—
SHK Li	47	-3.50	93.84	43	2.9	—
TaiScd	68	-3	121.10	56.50	—	—

THAILAND (Jan 5 / Baht)

		+/-	High	Low	Yld	P/E
AdvInF	250	+30	410	145	—	23.2
BgkBkF	78	+3.50	199	58	—	18.1
BgkLdF	4.60	—	7.80	0.80	—	—
KrThF	21.50	+1.75	28	4.40	—	—
LndHsF	26.25	+1.25	42	5.30	—	—
Phatra	4.20	+.10	46.50	2.40	—	0.2
SaCemF	840	+32	900	192	—	—
SiamCi	83	+7	143	26	—	—
SinCBkF	22.50	+2.25	171	8.80	10.6	1.3
TelecAs	18.75	+4.25	28.60	5.30	—	—
ThFrmF	60	+2.50	173	15.50	8.7	4.6

AMERICAS

CANADA

TORONTO (Jan 5 / Can $)

4 pm close

Sales			+/-	High	Low
621976	AbitibC x	14.4	+.25	23.7	12
36200	AgniEag	6.5	-.05	11.55	4.27
1222052	AirCda	6.05	-.15	14.65	5.1
181774	AlbnE	38	+1.5	39	25.75
375234	AlcnAl	42.65	+.65	48.45	29.3

MONTREAL (Jan 5 / Can $)

4 pm close

MEXICO (Jan 5 / Peso)

12.30 pm

AFRICA

SOUTH AFRICA (Jan 5 / Rand)

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JANUARY 4 1999								FRIDAY JANUARY 1 1999					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	202.38	1.5	180.73	144.09	197.48	217.49	0.6	3.37	199.31	177.62	142.11	–	216.13	219.96	163.88	198.74
Austria (21)	186.86	1.4	166.89	133.05	160.91	160.91	0.0	2.17	184.32	164.26	131.42	–	–	253.73	166.45	190.94
Belgium (22)	437.49	4.4	390.73	311.51	368.85	368.85	0.0	1.88	418.99	373.40	298.75	–	–	437.49	250.39	260.16
Brazil (32)	131.94	-0.7	117.83	93.94	128.76	293.17	-0.8	3.09	132.90	118.44	94.76	–	295.59	268.34	102.68	244.95
Canada (117)	202.85	1.8	181.17	144.44	197.98	224.02	1.0	1.74	199.37	177.67	142.15	–	221.74	248.78	159.94	213.82
Denmark (34)	515.82	3.2	460.68	367.28	503.39	443.02	2.4	1.58	499.87	445.47	356.42	–	432.70	537.33	420.12	453.62
Finland (29)	608.46	5.8	543.42	433.25	643.46	643.46	0.0	1.56	575.37	512.75	410.25	–	–	608.46	267.59	263.11
France (75)	344.25	5.2	307.45	245.12	300.2	300.2	0.0	2.08	327.18	291.58	233.29	–	–	345.18	225.24	241.63
Germany (55)	294.93	5.0	263.41	210.80	254.16	254.16	0.0	1.28	280.95	250.38	200.33	–	–	325.61	218.59	232.23
Greece (36)	376.12	8.1	335.91	267.81	367.06	746.62	6.9	1.14	347.84	309.99	248.02	–	698.30	376.12	211.47	–
Hong Kong, China (67)	300.94	-2.1	268.77	214.28	293.69	299.29	-2.1	4.09	307.40	273.95	219.18	–	305.75	362.55	196.64	354.86
Indonesia (26)	49.77	-0.7	44.45	35.44	48.57	244.27	-0.1	1.25	50.14	44.68	35.75	–	244.53	64.52	19.04	62.57
Ireland (16)	565.44	2.5	505.00	402.62	531.79	531.79	0.0	1.83	551.37	491.37	393.14	–	–	565.44	395.98	400.04
Italy (53)	191.02	6.8	170.60	136.01	234.1	234.1	0.0	1.19	178.88	159.42	127.55	–	–	191.02	120.16	120.16
Japan (445)	98.48	-2.0	87.95	70.12	96.11	70.12	-2.1	1.07	100.49	89.56	71.65	–	71.65	109.73	76.83	93.63
Mexico (29)	1113.09	-2.5	994.10	792.56	1086.27	11975.18	-3.0	2.14	1142.09	1017.80	814.33	–	12349.62	1794.42	787.15	1793.88
Netherlands (26)	549.15	3.7	490.45	391.02	468.11	468.11	0.0	2.02	529.59	471.96	377.61	–	–	582.38	391.03	414.29
New Zealand (18)	59.29	0.5	52.96	42.22	57.87	59.31	0.0	4.92	59.01	52.58	42.07	–	59.31	77.84	45.68	75.94
Norway (37)	235.05	7.1	209.93	167.37	229.39	239.36	5.4	2.42	219.54	195.65	156.54	–	227.04	357.71	181.86	325.31
Philippines (22)	91.27	1.0	81.51	64.98	89.07	175.35	0.1	0.84	90.34	80.51	64.41	–	175.13	106.98	42.48	78.53
Portugal (18)	269.53	4.9	240.72	191.92	313.46	313.46	0.0	1.05	257.03	229.06	183.27	–	–	299.39	194.13	–
Singapore (41)	217.56	0.6	194.30	154.91	212.32	165.42	1.2	1.71	216.19	192.67	154.15	–	164.39	246.74	102.45	221.80
South Africa (38)	184.07	-0.2	164.39	131.06	179.63	236.51	-0.2	4.00	184.36	164.29	131.45	–	237.05	346.20	151.55	284.57
Spain (30)	426.16	6.5	380.60	303.44	455.25	455.25	0.0	1.76	399.95	356.43	285.17	–	–	426.16	274.42	278.41
Sweden (44)	524.35	4.5	468.30	373.36	511.72	623.36	3.5	1.84	502.00	447.37	357.94	–	602.39	628.19	379.18	469.79
Switzerland (30)	431.76	4.1	385.61	307.43	421.36	366.26	3.7	1.16	414.70	369.57	295.69	–	353.13	439.48	307.73	338.75
Thailand (35)	23.73	0.0	21.19	16.89	23.16	33.34	-0.3	2.84	23.72	21.14	16.91	–	33.45	33.84	8.15	19.30
United Kingdom (207)	377.20	-0.3	336.88	268.58	368.11	336.88	-0.1	2.92	378.19	337.03	269.66	–	337.03	401.84	307.96	334.33
USA (616)	506.05	-0.1	451.96	360.33	493.88	506.05	-0.1	1.29	506.79	451.64	361.35	–	506.79	510.17	378.74	397.78
Americas (794)	449.37	-0.1	401.34	319.97	438.54	381.00	-0.1	1.32	449.81	400.86	320.72	–	381.47	452.45	343.40	361.52
Europe (733)	372.67	3.3	332.84	265.36	363.70	335.54	3.0	2.01	360.91	321.63	257.34	–	325.87	386.24	279.29	291.69
Eurobloc (345)	111.42	5.1	99.51	79.33	103.92	103.92	0.0	1.66	105.97	94.44	75.56	–	–	113.28	81.53	–
Nordic (144)	510.25	4.7	455.71	363.32	497.96	510.51	3.9	1.78	487.20	434.18	347.38	–	491.49	555.97	380.04	415.15
Pacific Basin (730)	106.33	-1.6	94.97	75.71	103.77	79.07	-1.8	1.57	108.08	96.32	77.06	–	80.52	119.48	82.88	104.22
Euro-Pacific (1463)	217.14	1.9	193.93	154.61	211.91	175.36	1.6	1.69	213.18	189.98	152.00	–	172.61	220.19	166.00	182.40
North America (733)	485.54	-0.1	433.63	345.72	473.84	486.52	-0.1	1.30	485.93	433.05	346.48	–	487.13	488.91	357.38	386.07
Europe Ex. UK (526)	356.44	5.0	318.34	253.80	347.85	324.15	4.4	1.59	339.59	302.63	242.13	–	310.40	366.32	250.03	262.17
Europe Ex. Eurobloc (388)	98.17	1.2	87.68	69.90	95.80	96.82	1.2	2.41	96.97	86.41	69.14	–	95.69	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (181)	102.66	4.4	91.60	73.03	100.09	97.59	3.8	1.38	98.27	87.57	70.07	–	94.06	109.21	75.16	–
Pacific Ex. Japan (285)	181.68	-0.1	162.26	129.37	177.31	186.75	-0.5	3.50	181.88	162.09	129.69	–	187.67	216.04	128.26	198.27
World Ex. Eurobloc (1950)	104.65	-0.1	105.03	88.60	102.13	102.66	-0.1	1.57	104.74	104.90	88.80	–	102.80	105.20	83.09	–
World Ex. US (1679)	215.95	1.8	192.87	153.76	210.75	179.95	1.5	1.91	212.14	189.05	151.26	–	177.28	221.91	165.95	186.51
World Ex. UK (2088)	302.95	0.9	270.57	215.71	295.65	267.97	0.7	1.43	300.28	267.61	214.11	–	266.07	302.95	234.66	247.05
World Ex. Japan (1850)	414.22	1.1	369.94	294.94	404.24	401.42	0.9	1.64	409.79	365.19	292.19	–	397.63	414.22	318.78	334.80
The World Index (2295)	309.38	0.8	276.91	220.29	301.93	274.41	0.6	1.58	307.02	273.61	218.91	–	272.67	309.38	242.08	254.45

PLEASE NOTE: Amendments to indices 4/1/99 applied to Finland, related regional indices and The World Index. Latest prices were unavailable for this edition.

Emerging markets:

IFC investable indices

Dollar terms

Jan 4 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	807.33	+1.2	+1.2
Brazil	273.11	-0.7	-0.7
Chile	457.29	+1.3	+1.3
Colombia[1]	437.41	-0.4	-0.4
Mexico	475.02	-1.4	-1.4
Peru[2]	136.10	+1.3	+1.3
Venezuela[3]	440.53	-2.8	-2.8
East Asia			
China[4]	25.58	-2.3	-2.3
India[7]	65.54	+2.1	+2.1
Indonesia[4]	24.08	-0.5	-0.5
Korea[5]	58.11	+6.3	+6.3
Malaysia	65.69	-3.2	-3.2
Pakistan[6]	91.66	-2.9	-2.9
Philippines	124.09	+0.8	+0.8
Sri Lanka[10]	79.88	-3.0	-3.0
Taiwan, China[8]	116.05	+0.2	+0.2
Thailand	63.53	+0.6	+0.6
Europe			
Czech Rep	51.32	+1.1	+1.1
Greece	698.71	+8.0	+8.0
Hungary[11]	283.74	+1.1	+1.1
Poland[12]	551.90	+5.4	+5.4
Portugal	306.52	+5.0	+5.0
Russia	23.46		
Slovakia	44.04	+1.0	+1.0
Turkey[13]	154.44	+5.5	+5.5
Mideast/Africa			
Egypt	65.58	+1.7	+1.7
Israel	106.00	+3.7	+3.7
Jordan	216.82	+0.1	+0.1
Morocco	168.47	+0.5	+0.5
S Africa[15]	124.75	-0.4	-0.4
Zimbabwe[16]	106.99	+1.6	+1.6
Regions			
Composite	189.90	+1.7	+1.7
Latin America	418.31	-0.3	-0.3
Asia	109.22	+2.2	+2.2
EMEA	117.94	+3.2	+3.2
Europe	158.03	+6.4	+6.4
Eastn Europe	99.40	+2.2	+2.2
ME & Africa	53.69	+0.5	+0.5
Comp + Malay	192.06	+1.4	+1.4
Asia + Malay	109.13	+1.1	+1.1

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Jan 4 1991; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Mar 6 1992; (8)Sep 28 1993; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close January 5

NEW YORK STOCK EXCHANGE PRICES

[illegible]

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Sector		SETT	Close	Previous	Change on day	% Change	1998 High	1998 Low
		05-01-1999		04-01-1999				
Financials	USD	2308.63	2382.37	I 2315.24	+77.13	+3.33	2451.69	1446.58
IN-FIN	EUR	2772.75	2777.46	I 2685.63	+91.83	+3.41	3088.15	1658.17
Non-durable goods	USD	2081.41	2089.82	I 2069.28	+20.54	+1.02	*2069.28	1254.88
IN-GOODS	EUR	2357.18	2355.39	I 2329.57	+25.82	+1.10	*2329.57	1594.77
Oils	USD	1291.63	1295.77	I 1278.88	+16.59	+1.32	1633.86	1132.92
IN-OIL	EUR	1498.72	1504.85	I 1483.49	+38.86	+1.40	2027.16	1361.55
Pharma-chemicals	USD	1614.43	1628.82	I 1595.00	+25.02	+1.61	1898.08	1266.35
IN-PHARMA	EUR	1823.27	1881.72	I 1850.17	+31.55	+1.78	2115.51	1445.02
Telecoms	USD	2984.45	2987.82	I 2893.09	+94.02	+3.62	2648.47	1597.81
IN-TELCO	EUR	3114.85	3119.54	I 3007.84	+111.70	+3.71	3390.86	1882.52

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Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9184.27	9181.43	9274.64	9374.27 (23/11/98)	7539.07 (31/8/98)	9374.27 (23/11/98)	41.22 (8/7/32)
Home Bonds	106.46	106.42	106.21	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3117.65	3149.31	3128.84	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	311.91	312.30	316.92	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 9330.84 (9343.64) Low 9089.00 (9108.77) (Theoretical‡)
Day's high 9350.33 (9287.77) Low 9122.47 (9181.43) (Actual‡)

Standard and Poors	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1228.10	1229.23	1231.93	1241.81 (29/12/98)	927.69 (9/1/98)	1241.81 (29/12/98)	4.40 (1/6/32)
Industrials¶	1478.81	1479.18	1479.97	1494.06 (29/12/98)	1077.40 (9/1/98)	1494.06 (29/12/98)	3.52 (30/6/32)
Financial¶	130.57	130.17	131.76	147.69 (14/7/98)	95.80 (8/10/98)	147.69 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	594.12	595.81	594.27	600.75 (17/7/98)	477.20 (8/10/98)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	683.61	688.88	672.07	753.67 (22/4/98)	583.75 (8/10/98)	753.67 (22/4/98)	524.20 (18/7/96)
NASDAQ Comp	2208.05	2192.69	2168.95	2208.05 (4/1/99)	1419.12 (8/10/98)	2208.05 (4/1/99)	54.87 (3/10/74)
Russell 2000	421.26	421.96	411.91	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.38 (7/12/88)

RATIOS

	Dec 24	Dec 18	Dec 11	Year ago
Dow Jones Ind. Div. Yield	1.65	1.71	1.72	1.79
	Dec 16	Dec 9	Dec 2	Year ago
S & P Ind. Div. yield	1.23	1.21	1.22	1.49
S & P Ind. P/E ratio	35.66	36.26	35.71	25.80

US DATA

MARKET ACTIVITY

● Volume (million)	Jan 4	Dec 31	Dec 30
NYSE	888.830	754.660	597.880
Amex	37.900	34.658	30.394
NASDAQ	940.929	894.657	928.301

NYSE	Jan 4	Dec 31	Dec 30
Issues Traded	3,574	3,543	3,538
Rises	1,716	2,320	1,001
Falls	1,440	775	1,380
Unchanged	418	448	847
New Highs	137	149	132
New Lows	23	30	59

NYSE TRADING ACTIVITY

Volume : 882,530,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
MBNA	55,801,800	24¼	-⅝
AmOnLne	19,987,500	148⅛	-11⅛
Compaq	10,288,300	42⅛	+⅜
AT&T	8,918,500	77⅞	+2⅝
BellAtl	8,391,900	51⅞	-1⅛
LucentTch	7,533,100	114⅛	+4⅛
Citygp	7,159,500	50⅛	+⅞
Pfizer	6,337,100	90⅞	-2⅛
PhMorr	6,285,100	52⅛	-⅛
Disney	6,240,800	29⅛	-⅛

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
BradyW	31⅞	+5⅛	+21.2
HitachiI	14⅝	+1⅞	+14.7
SkiGr	14⅛	+1⅞	+13.1
Clev Bell	17⅛	+1⅞	+12.1
FrnkRs	35⅝	+3⅝	+11.7
Downs			
ArrwEl	24⅛	-2⅛	-8.0
Comnwe	27	-2⅛	-7.3
LedEnd	25	-1⅞	-7.2

NASDAQ TRADING ACTIVITY

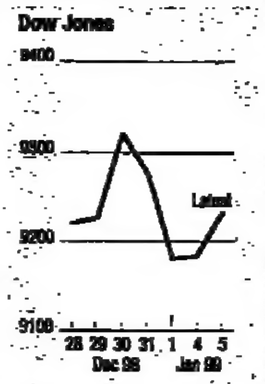
Volume :940,929,000

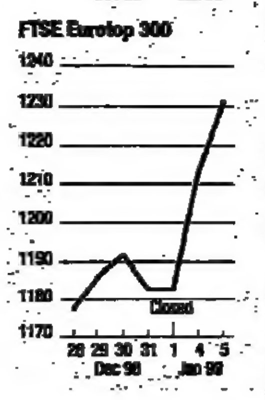
ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Micsft	17,324,300	141	+2⅛
MCIWcm	18,328,200	69⅝	-1⅝
Intel	18,288,100	120⅜	+2⅛
DellCmp	18,179,100	74⅛	+1
CiscoSys	15,670,200	95⅛	+2½
NasdaqCmA	15,094,400	25⅝	+2⅛
Iomega	12,415,600	10⅛	+⅞
Novell	10,395,900	18⅛	+⅛
TCI GpA	8,889,900	57⅝	+1⅞
AppMat	8,805,760	44⅛	+1⅝

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
E trade	55⅛	+8⅞	+18.5
Pool Energy	12⅝	+1⅞	+18.8
CmptTch	25⅝	+3⅝	+14.7
Nemat	12⅞	+1⅛	+13.9
Downs			
Spyglass	15	-7	-31.8
Deb Shops	13⅛	-1⅞	-12.9
LiteUSAHld	11⅝	-1⅝	-12.6
Visteon	12⅝	-1⅝	-11.8





JAPAN

	Jan 5	Jan 4	Dec 31	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	13232.74	13415.89	(c)	17264.3	12880	38915.9	85.25

Day's high: 13437.03. Day's low: 13122.61.

TOKYO TRADING ACTIVITY

Volume : 340,000,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Daiwa	15,260,000	235	-18
[illegible]	6,590,000	1080	-58
Hitachi	5,717,000	884	-1
[illegible]	5,458,000	202	-2
[illegible]	4,988,000	125	-1
[illegible]	4,078,000	120	-4
Fujitsu	3,743,000	388	-10
[illegible]	3,386,000	815	-36
Nomura	3,372,000	960	-5
SumiBnk	3,307,000	1102	-38

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
DensoJp	2895	+185	+6.9
[illegible]	129	+7	+5.7
Sankyo	2550	+110	+4.5
[illegible]	100	+4	+4.2
Downs			
SumiRt	315	-35	-10
Brgstn	2300	-200	-8
Ng'Kin	129	-11	-7.9
SumiFst	732	-59	-7.5

FRANCE

	Jan 5	Jan 4	Dec 31	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4200.78	4147.50	(c)	4388.48	2862.54	4388.48	984.61

Day's high: 4200.78. Day's low: 4139.45.

PARIS TRADING ACTIVITY

Volume : 841,701,510

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
FrTele	3,065,448	74	+0.7
Axa	1,775,138	133.7	+5.2
Renault	1,073,304	42.5	+0.61
Usinor	1,059,012	9.84	+0.29
RhonePA	1,056,032	45.3	+0.3
Vivendi	939,881	231.8	
BNP	905,882	74.95	-0.05
Paribas	895,371	84.25	+2.05
SocGen	821,842	167	+7
TotalB	778,728	88.6	+1.6

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
CrLyCI	37.95	+3.85	+11.3
CapGem	161	+12.5	+8.4
Simco	88	+6.8	+8.3
Clarins	66.6	+5	+8.1
Downs			
ThmCSF	32.07	-3.12	-8.9
Valeo	30.82	-2.43	-7.3
Danone	234	-17.5	-7.0
Schndr	51.75	-3.75	-6.8

GERMANY

	Jan 5	Jan 4	Dec 31	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	5253.91	5252.36	(c)	6171.43	3896.08	6171.43	931.18

Day's high: 5316.76. Day's low: 5137.48.

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Dt Tel	661,653	32.5	+0.7
DaimCh	700,232	86.8	-0.7
Commzbk	588,493	27.5	-0.6
Bayer	533,302	37.75	+0.25
Dt Bk	489,867	53.95	+1.15
BASF	434,425	32.9	
RWE	405,776	50	+0.4
Siemens	394,353	58	+2
Lufthn	362,424	19.1	-0.55
DresdBk	345,558	37.4	+0.6

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Mannesm	118	+8	+7.3
Metall	45.2	+2.7	+6.4
Preuss	12.2	+0.7	+6.1
AskInfo	125	+6.5	+5.5
Downs			
SAP	297	-58	-16.6
SAP Pf	328	-62	-15.9
B'dorf	57.5	-5	-8
KlöHW	17.3	-1.2	-6.5

UK

	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	5958.2	5879.4	(c)	6179	4648.7	6179	986.9

Day's high: 5980.5. Day's low: 5868.7.

LONDON TRADING ACTIVITY

Volume : 892,200,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
BP Amoco	57,814,890	918	-8½
Tesco	21,138,020	158½	-3½
Br Telecom	18,270,700	980½	+40½
TeleWest	17,973,160	205	+19½
S'Kline Bechm	13,742,480	887	+33½
BG	13,157,810	372	+3
Lloyds TSB	12,582,920	876	+6½
WPP	12,413,630	378½	+19¾
Stobe	12,209,420	236¼	-1¼
Fortune	12,265,880	3¼	+¼

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Geo Int Media	31½	+7½	+31.3
Burndene Inv	36½	+8	+28.1
JBA	225	+32½	+16.8
Universal Sug	55	+7½	+15.5
Salehurst	131½	+16	+13.9
Downs			
Diploma	122½	-41	-25.1
Galaxy Media	56	-13½	-19.4
MSB Intl	280	-34	-10.8

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	1240.20	1241.50	+0.80	1242.80	1237.20	66,665	373,370
Jun	–	1253.00	+0.80	1253.00	1251.00	765	8,231

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	13390.0	13190.0	-200.0	13420.0	13090.0	30,647	185,453
Jun	13350.0	13060.0	-290.0	13350.0	13000.0	576	33,385

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	4135.0	4185.0	+43.0	4201.0	4120.0	295,251	1077,942
Feb	4198.0	4205.0	+43.5	4204.0	4161.5	2,00q	14,696

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	5280.0	5277.0	-43.0	5347.5	5234.0	38,977	105,952
Jun	5324.0	5304.0	-43.5	5365.0	5281.5	205	5,818

SMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	725.00	736.50	+32.00	739.00	725.00	9,068	187,654
Feb	739.50	738.25	+21.75	739.50	738.25	204	430

EUREX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	7435.0	7563.0	+93.0	7574.0	7391.0	34,525	117,155
Jun	7406.0	7512.0	+93.0	7482.0	7408.0	60	2,005

WORLD MARKETS AT A GLANCE

Country	Index	Jan 5	Jan 4	Dec 31	1998/99 High	1998/99 Low	‡ Yield	‡ P/E
Argentina	General	17651.19	17807.35	(c)	23485.80 23/3/98	12303.10 10/9/98	4.18	11.7
Australia	All Ordinaries	2815.6	2832.6	2813.4	2881.40 16/4/98	2459.20 1/9/98	3.4	21.2
	All Mining	588.9	590.0	595.0	713.10 23/4/98	488.60 31/8/98		
Resources lost 2.2 per cent in late selling. C&W Optus pushed to new highs in heavy volume and banks rose 0.8 per cent.								
Austria	Credit Aktien	(u)	(u)	(c)	584.34 28/5/98	345.44 8/10/98	2.01	13.5
	ATX Index	1140.99	1130.86	(c)	1628.58 28/5/98	882.06 1/10/98		
Gained ground ahead of today's national holiday. Insurer Generali Holding rose 4.5 per cent.								
Belgium	BEL20	3879.70	3845.84	(c)	3879.70 5/1/99	2357.78 10/1/98	1.59	22.5
Ended at a record high for the second day running. Fortis advanced 4.1 per cent.								
Brazil	Bovespa	7028.0	6942.0	(c)	12289.00 15/4/98	4761.00 10/9/98	na	na
‡Pushed higher in early trading.								
Canada	TSE 100‡	404.87	402.06	397.26	475.83 25/5/98	324.91 5/10/98	1.61	17.8
	Metals Mins‡	3155.14	3127.07	3068.86	4380.01 10/3/98	2500.10 31/8/98		
	TSE300Comp‡	6602.50	6554.30	6485.94	7822.38 22/4/98	5335.70 5/10/98		
	Portfolio$$	3423.84	3393.95	3333.26	3885.81 25/5/98	2719.34 5/10/98		
‡Gained ground in early trading.								
Chile	IGPA Gen¶	3806.59	3806.69	(c)	4981.95 17/3/98	2980.95 14/9/98	3.51	11.7
China	Shanghai B	38.22	38.37	38.71	68.88 10/2/98	38.25 12/6/98	1.56	26
	Shenzhen B	32.41	32.91	33.59	68.97 10/2/98	48.36 13/8/98		
Hard-currency shares continued to drift lower on very thin volumes.								
Colombia	IBB	(u)	1039.52	(c)	1431.49 7/1/98	778.17 14/10/98	na	na
Czech Republic	PX 50	398.6	395.3	(c)	517.30 23/3/98	316.60 8/10/98	na	na
Ended higher, although trading volumes stayed thin.								
Denmark	CopenhagenSE	850.71	847.75	(c)	778.84 7/4/98	588.55 9/10/98	1.53	17.7
Edged lower, although overall risers outpaced decliners by 137 to 83.								
Egypt	Cairo SE Gen	391.92	385.78	382.77	393.19 21/4/98	345.40 3/2/98	na	na
Reached up to a 22-month high in active.								
Finland	Hex General	5909.88	5835.46	(c)	5909.88 5/1/99	3220.43 13/1/98	1.86	21.1
Hit a record closing high for the second day running. Nokia rose 2.3 per cent.								
France	SBF 250	2641.10	2611.37	(c)	2708.73 17/7/98	1873.10 12/1/98	2.34	20
	CAC 40	4200.78	4147.50	(c)	4388.48 17/7/98	2862.54 12/1/98		
Ended at the high for the session. Cap Gemini jumped 8.4 per cent.								
Germany	FAZ Aktien	1660.16	1641.21	(c)	1949.88 20/7/98	1280.50 2/10/98	1.36	19.2
	Commerzbank	(u)	(u)	(c)	5712.80 20/7/98	3693.20 2/10/98		
	DAX‡	5253.91	5252.36	(c)	6171.43 20/7/98	3896.08 8/10/98		
Shares swung lower on profit-taking and a 18 per cent slide at SAP.								
Greece	Athens General	2907.14	2921.28	2737.55	2921.28 4/1/99	1380.13 29/1/98	1.83	21.5
	FTSE/ASE 20	1843.23	1848.07	1724.34	1848.07 4/1/99	755.18 29/1/98		
Late profit-taking left shares lower.								
Hong Kong	Hang Seng	9891.06	9809.17	10048.58	11810.80 25/3/98	6660.42 13/8/98	3.53	13.8
	HSCC Red Chip	887.39	881.84	913.94	1776.88 27/2/98	576.07 1/9/98		
Lifted in thin turnover as interbank rates eased amid increased interest rate cut hopes.								
Hungary	Bux	(u)	(u)	(c)	8918.30 23/4/98	3776.02 21/9/98	na	na
India	BSE Sens.	3149.08	3122.04	3055.41	4280.96 21/4/98	2764.16 20/10/98		
	Crisil 500	627.20	620.19	600.06	815.82 21/4/98	552.08 20/10/98	na	na
Aggressive buying of bluechips sent shares higher. TELCO jumped 8 per cent.								
Indonesia	Jakarta Comp.	408.70	384.46	(c)	554.10 2/2/98	256.83 21/9/98	2.49	20.5
Surged with a firm rupiah amid after President BJ Habibie unveiled his first budget. Rises beat falls sharply.								
Ireland	ISEQ Overall	5181.26	5078.95	(c)	5471.81 21/4/98	3746.11 8/10/98	1.96	18.4
Israel	Tel Aviv 100	300.03	308.68	290.60	337.43 8/6/98	246.19 8/10/98	na	na
Ended little changed as the shekel gained ground against the dollar.								
Italy	BCI Comit 30	378.07	374.17	(c)	388.00 20/7/98	248.51 8/10/98	1.67	25.3
	Banca Com Ital	1588.73	1542.84	(c)	1654.36 7/4/98	1093.90 9/10/98		
	Mibtel General	25292.0	25087.0	(c)	28377.00 9/4/98	16701.00 8/10/98		
Moved ahead in good volumes. Fiat gained 6.7 per cent.								
Japan	Nikkei 225	13232.74	13415.89	(c)	17264.30 2/3/98	12880.00 9/10/98	0.98	45.1
	Nikkei 300	208.20	211.53	(c)	257.43 10/2/98	192.30 9/10/98		
	Topix	1048.33	1064.82	(c)	1300.30 10/2/98	980.11 15/10/98		
	2nd Section	1172.05	1177.25	(c)	1481.27 12/2/98	1028.64 13/10/98		
Slid for second day amid mounting concern over the strong yen and its effect on exporters. Banks continued to suffer.								
Jordan	Amman SE	171.36	170.94	(c)	184.52 17/8/98	159.69 18/11/98	na	na
Malaysia	KLSE Comp.	567.89	581.65	586.13	745.36 27/2/98	262.70 1/9/98	2.52	15
Closed higher late in the session after central bank unexpected relaxed capital controls linked to share transactions.								
Mexico	IPC	3789.51	3835.73	3959.66	5204.00 2/1/98	2890.10 10/9/98	1.72	15.5
‡Moved lower in early trading.								
Morocco	CASA	801.46	803.08	(c)	893.90 1/6/98	698.57 21/1/98	na	na
Edged lower in thin trading volumes.								
Netherlands	CBS TRtnGen	1372.8	1360.0	(c)	1493.00 20/7/98	874.90 8/10/98	2.1	22.7
	CBS All Shr	783.9	756.9	(c)	845.00 27/7/98	548.10 8/10/98		
Ended ahead, helped another strong session for Baan. Fortis Amev rose 4.4 per cent.								
New Zealand	Cap. 40	2115.28	(c)	2065.28	2320.02 20/3/98	1686.24 2/10/98	5.28	20.2
Strong gains recorded in Telecom, Fletcher Energy, Fletcher Building, Carter and Auckland International Airport.								
Nigeria	SE All-Share	5857.39	5857.40	(c)	6504.87 11/2/98	2226.48 12/1/98	na	na
Norway	Oslo SE Ind	1707.06	1658.95	(c)	3370.68 4/5/98	1359.78 8/10/98	2.4	11.7
Pushed higher with a 53 per cent rise for offshore services group ProSafe stealing the limelight.								
Pakistan	KSE-100	929.25	943.97	945.24	1746.31 2/1/98	765.73 14/7/98	na	na
News that talks between El Pakistan and De Post had caused continued to hurt sentiment.								
Peru	Lima Gen	1342.15	1340.07	(c)	1803.01 4/5/98	1158.59 21/9/98	na	na
Philippines	Manila Comp	2006.85	1980.70	(c)	2311.42 25/3/98	1092.18 11/9/98	1.34	13.8
Pushed to seven-month high on back of strong peso and falling treasury bill yields. Rises beat falls by 7 to 3.								
Poland	Wig	13476.5	13218.1	12795.8	16582.70 11/3/98	10472.70 9/10/98	2.19	9.3
Ended lower with fallers beating gainers 32 to 6.								
Portugal	BVL 30	5074.35	4986.54	(c)	6176.89 22/4/98	3390.60 2/10/98	2.1	26.7
	PSI 20	11677.01	11480.30	(c)	14293.00 22/4/98	8114.81 2/10/98		
Russia	RTS	(u)	59.69	58.93	411.61 5/1/98	38.03 5/10/98	na	na
Returned after the new year break with slight gains.								
Singapore	SES All-S'pore	378.26	385.07	382.51	437.68 19/3/98	233.20 4/9/98	2.32	20
	Straits Times	1386.24	1450.11	1392.73	1998.76 19/3/98	805.04 4/9/98		
SingTel slid 3.6 per cent as falls beat rises by 4 to 3.								
Slovakia	Sax	(c)	94.0	(c)	182.46 5/1/98	81.45 20/11/98	na	na
South Africa	JSE All Share	5425.2¶	5404.8	5430.5	8889.70 20/4/98	4884.40 11/9/98		
	JSE Gold	878.8¶	881.9	871.5	1318.80 8/10/98	672.80 18/3/98		
	JSE Ind.	6272.3¶	6261.5	6264.4	9942.70 20/4/98	5246.60 11/9/98	5.16	8
Rallied modestly with the banks and insurance sectors providing the upside.								
South Korea	KoreaCompEx**	598.55	587.57	(c)	598.55 5/1/99	280.00 16/6/98	1.08	22.2
Kepco surged 10 per cent while Korea Telecom eased in heavy turnover as it approached its foreign investor ceiling.								
Spain	Madrid SE	931.55	918.84	(c)	947.82 17/7/98	642.29 5/10/98	1.9	23.5
Pushed higher as index tracker funds sought Telefonica.								
Sri Lanka	CSE All Share	576.78	582.41	597.31	769.70 4/5/98	481.00 3/9/98	na	na
Eased under selling pressure from local investors.								
Sweden	AffarsvardsGen	3447.0	3415.9	(c)	3865.60 20/7/98	2411.70 8/10/98	2.21	20
Pushed higher amid a swirl of merger rumours. Volvo jumped 8 per cent.								
Switzerland	SMI Index	7545.8	7441.8	(c)	8412.80 21/7/98	5128.50 5/10/98	1.35	23
	SPI General	4709.14	4650.22	(c)	5237.39 20/7/98	3311.26 5/10/98	na	na
Ended on a high note. UBS, boosted by broker comment, rose 4 per cent.								
Taiwan	Weighted Pr.**	6152.43	6418.43	6418.43	9277.09 2/3/98	6152.43 5/1/99	1.58	19.1
Sharply lower despite state moves to support market. However, turnover was very thin at T$44bn.								
Thailand	Bangkok SET	378.51	358.88	(c)	558.82 3/2/98	207.31 4/9/98	2.97	48.6
Foreign buying and retail speculation in bank, telecom and property shares drove index sharply higher in active trading.								
Turkey	IMKB Nat 100	2823.45	2758.36	2597.91	4538.89 16/7/98	1882.26 8/10/98	4.38	10.7
Ended higher as hopes ran high that a fresh government would shortly be formed.								
Venezuela	IBC	4535.87	4720.77	4788.66	7866.82 22/3/98	2894.70 10/9/98	na	na
Zimbabwe	ZSE Industrial	6465.54	6378.98	(c)	8795.71 31/3/98	5441.85 1/8/98	na	na
WORLD	FT/S&P Wrld$§	(u)	308.46	307.02	308.46 4/1/99	242.36 5/10/98	na	na
	MS Capital Int$	1168.2*	1161.5	1150.0	1167.30 4/1/99	888.89 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3535.30	3474.14	(c)	3670.82 20/7/98	2433.07 8/10/98		
	DJ Euro Stx 50	3604.67	3542.99	(c)	3658.48 17/7/98	2419.23 8/10/98		
	FTSE E300	1231.20	1214.04	(c)	1327.88 20/7/98	893.55 5/10/98		
	FTSE E100	2859.54	2804.15	(c)	3098.81 20/7/98	2049.81 8/10/98	na	na
	HSBC Drgn	(u)	223.66	225.50	273.81 26/3/98	161.71 5/10/98	na	na
	MS Emrge Emrg	(u)	1117.73	1153.6	1117.73 4/1/99	68.64 11/9/98	na	na

** Sat Jan 2 : Taiwan Weighted Price (c). $$ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Jan 5: 5265.41 -26.95. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation. ‡ Yields and P/E ratios are based on Datastream Total Market Indices. ‡ Wilshire.

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 5

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THE NASDAQ-AMEX MARKET GROUP

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX

4 pm close January 5

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

The EASDAQ All Share Index (EASI) for 5th January: 821.86 up 1.37% Day's high: 822.03 Day's low: 813.07

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prices for 5/1/99. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / [illegible]). Annual/interim reports can be obtained for companies with a ♣ symbol in this box. Annual Reports Club telephone +44 181 770 0770. For further details please see Share Price pages.

STOCK MARKETS

Equity rally slackens as yen upstages euro

WORLD OVERVIEW

Currency movements seized the limelight from equity markets for the second day running, and the pace of the new year share price rally slackened, *writes Philip Coggan.*

This time it was the yen rather than the euro that was the focus of attention as Eisuke Sakakibara, Japan's "Mr Yen", talked of the "bubble-like" US economy and appeared to sanction prevailing exchange rate levels. The yen has strengthened sharply from its August level of Y145/$ and touched Y110.5 yesterday.

A stronger yen, of course, harms the prospects of Japanese exporters and the Nikkei 225 duly dropped 1.4 per cent on the day. It also raises some potential long-term concerns if Japanese investors start to repatriate their funds in the face of currency losses on overseas assets; the US Treasury bond market, a long-time favourite of Japanese investors, fell more than a point in early trading yesterday.

The "euro-phoria" that was rampant in Monday's markets dissipated a little, but there was still plenty of activity on Europe's bourses.

Merger talk, which has flashed through the pharmaceutical and banking sectors in recent months, settled on autos, after a press story that Ford was in talks to link up with BMW – which denied the report. The speculative buzz also surrounded Peugeot, Renault, Fiat and Volvo.

Elsewhere, software group SAP severely disappointed investors with profits well below expectations and a forecast that sales growth would slacken as demand for millennium bug products dwindled. Over-optimism about corporate earnings remains one of the biggest worries for investors in European and US markets.

Ian Harnett, director of European strategy at BT Alex Brown, says: "Happiness for equity investors will come from defensive stocks this year. Merger and acquisition activity will continue in nearly all sectors, but the key to performance will be stocks that produce good earnings growth."

Mark Howdle, European equity strategist at Salomon Smith Barney, says: "We expect easy money to succeed in countering increasingly adverse economic conditions, keeping equity returns in positive territory in 1999. However, we are reluctant to believe equities will deliver a fifth consecutive year of 20 per cent returns in such a hostile environment.

"Our fair value projections imply more modest gains in 1999: total returns in local currencies of 9 per cent on the Euro Stoxx 50 and 7.7 per cent on the FT/S&P Europe index," says Mr Howdle.

Dow jumps as takeover talk lifts telecoms

AMERICAS

Stocks on Wall Street rallied in active morning trading as takeover speculation lifted telecoms stocks. By midday the general enthusiasm had added nearly 100 points to the Dow Jones Industrial Average, *writes John Labate.*

Trading was similar to the bullish tone that sent shares broadly higher on Monday before a late sell-off took hold. By early afternoon, the Dow was 96.29 higher, a gain of more than 1 per cent, at 9,280.56 – less than 100 points off its all-time trading high.

The broader Standard & Poor's 500 index was 11.60 higher at 1,239.70. The breadth of the early buying was moderately strong, with advancing shares leading declining ones by 16 to 13 on the NYSE.

Telecoms shares soared after AirTouch confirmed it was reviewing a rival takeover offer from Vodafone that could top negotiations between AirTouch and Bell Atlantic.

AirTouch surged more than 8 per cent or $5⅝ to $73¼, while Bell Atlantic gained nearly 4 per cent at $53¾.

Other stocks in the sector were higher as well, notably Tellabs which advanced $3¼ to $69.

A rally in semiconductor shares helped lift the Nasdaq composite, which had gained 29.07 or 1.3 per cent at 2,237.12. Shares of Teradyne gained $3 or more than 7 per cent at $45¼ after Soundview Financial raised the stock to a "strong buy" rating.

Other chip-related stocks soared as well, sending the Philadelphia stock exchange's semiconductor index up more than 4 per cent to 369.33.

Banking shares were mixed but most gained ground. MBNA was unchanged at $24 1/16 after Prudential Securities raised its rating from "hold" to "accumulate".

Chase Manhattan was also unchanged at $71¾.

Leading the Dow higher, Boeing rose more than 4 per cent to $34¾, while International Paper gained $1¼ to $43 1/16.

Small-company shares trailed the rest of the market. The Russell 2000 index of small-cap stocks rose by less than 1 point to 422.20.

As stocks picked up, US Treasuries weakened with the benchmark long bond falling [illegible] to 100[illegible], sending the yield up to 5.214 per cent.

TORONTO was higher after a subdued morning's trade, enlivened by activity in the pharmaceutical and high-technology sectors.

At midsession, the TSE-300 composite index was 45.70 higher at 6,600, also helped by a better tone in forestry shares.

Traders said, however, that volumes had yet to return to pre-holiday levels.

Pharmaceutical group QLT PhotoTherapeutics surged to a 52-week high of C$43.75 after releasing positive phase three trial results for its treatment of macular degeneration, a leading cause of blindness.

Internet auctioneer Bid.Com was another winner, up 36 cents to C$4.16.

Telecoms shares pushed higher on a broad front. Northern Telecom surged C$3.60 or almost 5 per cent to C$81.50 and BCE advanced C$1.35 to C$59.65.

Dax tumbles on SAP results

EUROPE

Sharply lower than expected 1998 results from SAP sent shares in the software group crashing in **FRANKFURT**.

The tumble also put pressure on the broader market, which saw the return of many investors who elected to sit out the first day of euro-denominated trade on Monday.

The Xetra Dax index was, however, able to recover some of its early 2.8 per cent fall. By the close it had lost 26.95 at 5,263.41.

SAP, which had remained bullish on the outlook at the half-year stage, took the market by surprise with sharply lower than expected full-year sales and profits growth.

The shares, down more than 20 per cent in early trade, recovered but still closed €59 or 15.2 per cent lower on the day at €328.

Motor manufacturers remained in the spotlight after Monday's 1998 sales figures. BMW shot up 11.5 per cent to a four-month high in early trade on a retelling of rumours that it might be a takeover target for Ford.

But after a denial from the Munich-based group, the shares settled €8.50 higher at €699.

DaimlerChrysler slipped 72 cents to €86.78, while VW edged up 80 cents to €76.

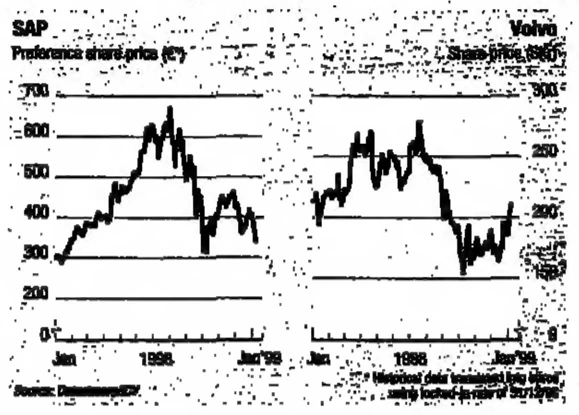
In a mixed banking sector, Dresdner put on 75 cents to €37.60 as it confirmed it was spinning off DM25bn (€12.78bn) worth of stakes into separate companies in an attempt to increase flexibility.

Deutsche Bank put on 90 cents to €53.89 on news it had taken a stake in Italy's Unicredito.

Deutsche Telekom, 29 cents firmer at €32.72, lost momentum after Monday's 15.6 per cent surge. Its competitor, Mannesmann, put on €6.80 to €116.30 on merger speculation.

PARIS ended at its best level of the session with the CAC-40 index up 53.28 or 1.3 per cent at 4,200.78 in improved volumes.

Selected banks and motors were driven higher. Renault rose 61 cents to €42.50 amid rumours about links with Ford or Nissan of Japan. Peugeot put on €3.90 at €140.



Source: Datastream/ICV

In banks, Société Générale gained €7 at €157 and Paribas €2.05 to €34.25 for a two-day gain of 14.5 per cent.

News of a near 15 per cent rise in mobile subscribers in December reversed early profit-taking at France Telecom, which ended 70 cents higher at €74.

Cap Gemini surged 8.4 per cent on investors switching out of Germany's SAP, sending shares up €12.50 at €161.

Retailer Promodès rose €23.50 to €678.50 helped by a "market performer" recommendation by Goldman Sachs, which has initiated coverage.

Valeo moved lower for the second day, sliding €3.85 or 5.8 per cent to €62.15 after a number of brokers turned negative ahead of the motor component group's fourth-quarter results.

AMSTERDAM ended 7.56 or 1.4 per cent up at 566.51 on the AEX index after trading within a narrow range of just eight points.

Financials were again a firm feature with ABN Amro adding 60 cents at €19.25 in active options-driven trading. The stock dealt 13.4m. Fortis Amev rose €3.30 to €77.75.

Telecoms leader KPN had another strong session, adding €1.75 to €50 for a two-day gain of almost 17 per cent. On the downside, Baan suffered from sector jitters, sliding 55 cents or 5.5 per cent to €9.50 on the disappointing results statement from SAP.

Listed broker Van Moolen rose €5.30 to €65.80 on news it was set to buy 80 per cent of a US options specialist.

ZURICH was carried along by a strong performance in UBS after Goldman Sachs added the bank to its European recommended list of preferred stocks and set an end-1999 price target of SFr513.

One trader saw the move as "a clear upgrade" for UBS, which was also meeting demand because it is part of the Stoxx 50 index.

UBS put on SFr20.50 to SFr460 and the SMI index finished 104.0 higher at 7,545.80.

CS Group, the country's other major bank to rally strongly on Monday, rose another SFr4.75 to SFr239.25.

STOCKHOLM was higher as telecom-related stocks remained in demand and merger speculation boosted the motor sector.

The general index ended 33.06 higher at 3,362.41 but trade was thin ahead of today's Epiphany holiday.

Telecoms equipment maker Ericsson remained in focus, adding SKr8.50 at SKr210.

Vehicle maker Volvo put on SKr12.50 to SKr212 on renewed speculation it could be the subject of a takeover bid. Analysts noted the company was also helped by news of a surge in US car sales in December and optimism about US sales prospects this year.

US-Swedish drugs group Pharmacia tumbled SKr28.50 to SKr444.50 after the Swedish government said it would sell its 7 per cent stake, possibly completing the transaction this month.

MADRID rose 12.61 to 931.55 on the general index, thanks mostly to a 7.6 per cent surge for telecoms leader Telefónica, which was urgently sought by the big tracker funds.

Telefónica's weightings within the leading indices are about to be increased, sparking heavy demand by funds to top up portfolios. The shares ended €3.08 higher at €43.90.

Banks were initially weak as worries ran round the market about the fourth-quarter results season, which gets underway at the end of the month. At the close, the sector showed little change. Santander was up 7 cents at €18.06.

Written and edited by Michael Morgan, Jeffrey Brown and Peter Hall

EMERGING MARKET FOCUS

Outcast Brazil bites the bullet

Brazil, once the darling of the international investment community, is now a virtual outcast. Investors began shunning Brazilian equities in April last year, and the decline picked up in August after the Russian default.

In December, the International Monetary Fund led an economic rescue mission to bail out Brazil with a $41.5bn emergency package. Shares fell by an average of one-third in real terms last year.

The outlook for this year is unclear. Analysts say much depends on intangible factors, principally the willingness of an undisciplined congress to vote through tax-raising and cost-cutting measures that will enable the government to meet IMF targets.

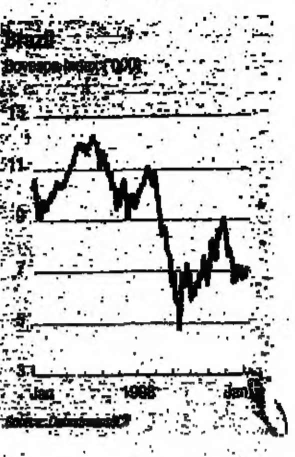
Neil Dougall, director at Dresdner Kleinwort Benson in London, said: "The one thing you can predict in Brazil is that there is going to be a lot of volatility and a protracted period of uncertainty as to [complying with] the IMF programme."

He warned: "Anyone trying to forecast the political game cannot be totally certain that all will turn out for the best. My view is that the jigsaw pieces will eventually fall into place." And once investors sensed the government was making headway in economic policy, so the outlook for equities should begin to improve.

Flávio Meneses of São Paulo's Banco Patrimonio said the focus on the macro-economy meant people were worried less about companies and more about the country's ability to pay.

Perhaps the overriding concern for foreign investors is the solidity of Brazil's currency, the real. Fears of a devaluation beyond the planned 7.5-8 per cent annual depreciation would spark another sell-off of Brazilian equities.

At the moment, economists say the real should hold its own, at least in the



Source: Datastream/ICV

first half of 1999. The market has already accepted that this year will witness a brutal recession, with forecasts for a contraction in gross domestic product as high as 4.8 per cent.

Although recession and higher taxes will hurt company earnings, the market seems to feel that the suffering will be worth the price if it brings economic stability in its wake.

Rodrigo Fiães, head of equity research at Rio de Janeiro's Banco Icatu, said a package of tax increases in December was awful from the point of view of corporate Brazil. "But it shows that the government will bite the bullet in terms of going forward with fiscal adjustment."

Furthermore, the benefits of deregulation and privatisation are beginning to filter through: the telephone companies report that the cost of locally made equipment has already fallen 20 per cent since 1998 now that suppliers are more confident that privately managed companies will at least pay their bills.

However, Mr Fiães said: "The question of sentiment and confidence is absolutely vital and the government has to regain lost confidence and can only do that if it pushes measures through congress."

John Barh

Earnings worries leave Mexico City mixed

MEXICO CITY was mixed in early trade as early strength in the peso bolstered heavyweight stocks while a lack of fresh news brought pressure to bear on the broad market.

By midsession, however, the IPC index was registering a fall of 53.80 or 1.4 per cent to 3,781.93.

Analysts noted that trade was still muted by concerns over the impact on company earnings of the tight 1999 budget approved in the closing hours of 1998.

Benchmark Telmex rose 15 centavos to 23.95 pesos, recovering from Monday's dip, helped up by an overnight lift from its American Depositary Receipts on Wall Street.

BUENOS AIRES was firm at midsession, boosted by the morning's strength on Wall Street and bid speculation surrounding the domestic oil sector.

In early afternoon trade, the Merval index was 5.64 higher at 439.20.

Banks and insurances rebound

SOUTH AFRICA

Johannesburg rallied modestly thanks to a strong rebound for banks and insurance shares. At the close, the all share index was 20.3 higher at 5,425.2.

In financials, Nedcor jumped 4.1 per cent to R106.20 and FirstRand added 1.2 per cent at R6.42. The financials index rose 1.2 per cent to 8,453.2.

Industrials were little changed at 6,272.3, up 0.2 per cent, while golds slipped a further 0.4 per cent to 878.8.

Yen strength depresses Tokyo

ASIA PACIFIC

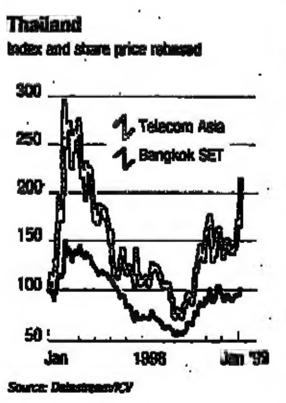
Shares in **TOKYO** fell for the second trading day of 1999, amid concerns that a stronger yen would hurt the earnings of major exporters, *writes Alexandra Nusbaum.*

The Nikkei 225 Average fell 183.15 or 1.4 per cent to 13,232.74 after trading between 13,122 and 13,437. The weighted Nikkei 300 dropped 1.6 per cent or 3.3 to 208.20. The Topix index of all first-section shares closed down 1.6 per cent or 16.59 to 1,048.33.

Volume was modest with 340.86m shares traded. Momentum was down with 829 declining, 299 advancing and 147 unchanged.

The yen closed at Y111 to the dollar after a newspaper quoted Japan's vice-finance minister for international affairs, Eisuke Sakakibara, as saying that the US economy looked "bubble-like".

The strong yen pushed down global blue chips that rely on revenue from exports. Bridgestone fell Y200 to Y2,300, adding to a 6.5 per cent drop in the rubber products sector. Sony was down Y280 to Y7,770 and



Source: Datastream/ICV

Canon dropped Y120 to Y2,200.

The yield on the 10-year government bond fell 8 basis points to 1.91 per cent, but investors showed concern over future rate rises and rate-sensitive sectors. Real estate fell 6.3 per cent and banks 2.43 per cent.

Sakura Bank fell Y18 to Y235 and Bank of Tokyo-Mitsubishi Y58 to Y1,080. Sumitomo Bank was down Y39 to Y1,102 on news that it had not developed details on its capital-raising plan.

Nissan Motor dropped Y16 to Y334 after denying reports that it was in talks with another carmaker to forge an alliance.

In Osaka, the OSE fell 298 to 14,309.

BANGKOK shot higher as retail investors made up for the new year lull with a wave of buying. Banks gained 7.6 per cent and the property index rose 6.1 per cent. In active turnover of Bt6.7bn, the SET index closed with a gain of 6.1 per cent, up 21.83 at 378.51.

Telecom Asia topped the performance charts, helped by rumours the group was set to dispose of its stake in United Broadcasting. The shares advanced almost 15 per cent or Bt4.40 to Bt18.75.

TAIPEI mostly tracked Japanese equities, falling to a 29-month low in weak volumes in spite of support from the state stabilisation fund.

The weighted index ended off 266 or 4.1 per cent at 6,152.43. Electronics lost 4 per cent and the financials index came off 5.4 per cent.

WELLINGTON pushed higher as investors returned from their new year break in upbeat mood. NZ Telecom rose 20 cents to NZ$8.45 and Fletcher Energy 25 cents to NZ$3.85. Brewer Lion Nathan failed to share in the rally, slipping 8 cents to NZ4.75.

JAKARTA gave an enthusiastic response to the government's budget plans and the composite index, dull earlier in the day, picked up to close 14.24 or 3.6 per cent higher at 408.70.

Dealers said the market also derived support from a strengthening in the rupiah against the dollar, and the so-called "January effect", which has seen the market rise between 8 and 20 per cent at the start of each of the last five years as foreign investors target blue chips.

Financials were in demand after the central bank governor said that coupon rates for government bonds to be issued to help recapitalise the stricken banking sector would be around 20 per cent.

SEOUL was sent higher by foreign demand for Korea Power, while the broader market consolidated as profits were taken after the recent rally.

The composite index rose 10.98 to 598.55 as Kepco shot up Won3,000 to Won33,000.